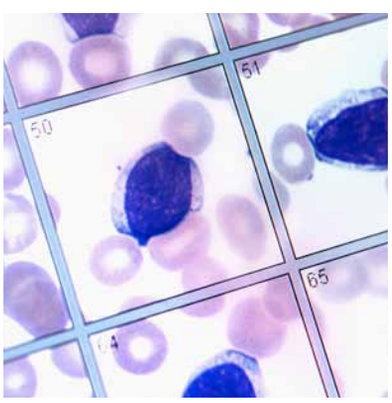
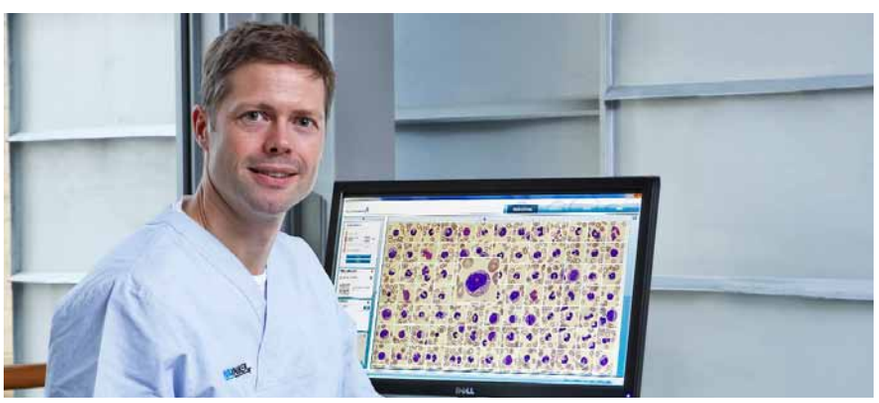
CELLAVISION AB (PUBL)

Annual Report 2011





CELLAVISION®

We offer the health care sector digital solutions for analysis of blood and other body fluids.

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Strong growth in North America

The year in numbers

- Net sales rose by 18 % to SEK 155.4 million (131.6)
- The operating result was SEK 17.8 million (13.9), an increase of 28 %
- The operating margin rose to 11.5 % (10.6).
- Profit before tax was SEK 18.5 million (10.7)
- Earnings per share for the year were SEK 0.61 (1.61)
- Cash and cash equivalents at the end of the period were SEK 56.8 million (35.8)

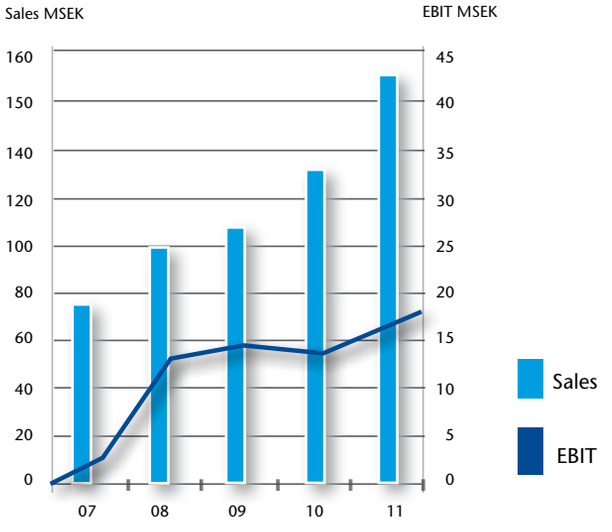
Significant events

- Strong growth on the North American market
- FDA approves body fluid application for the CellaVision® DM1200 analyzer in the USA
- Important order from a leading Canadian laboratory
- Company management reinforced with Stefan Bengtsson responsible for product supply

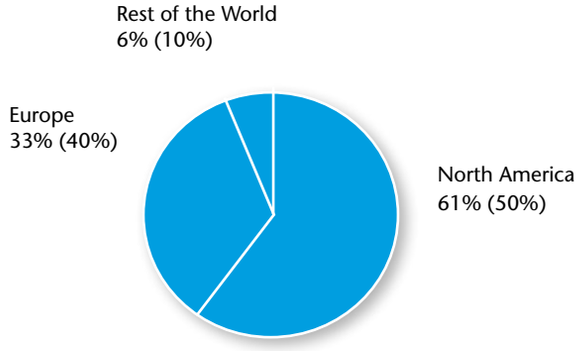
Significant events after year-end

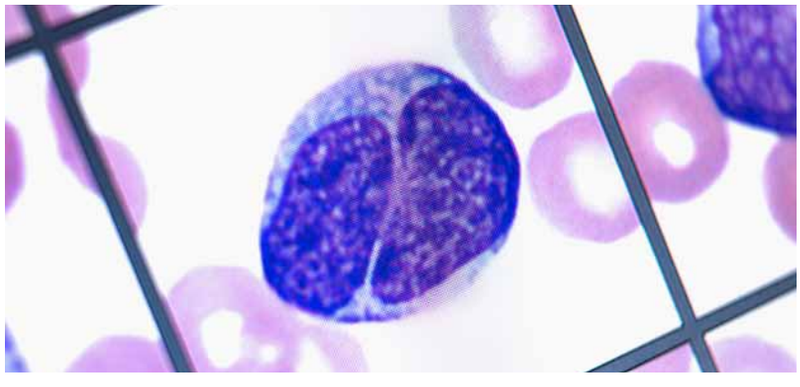
- CellaVision launches digital cell morphology system into the North American veterinary market

(MSEK)	2011	2010	2009	2008	2007
Net sales	155.4	131.6	109.0	100.4	74.6
Gross profit	101.4	87.6	76.5	63.5	45.3
Operating profit	17.8	13.9	14.8	13.4	3.1
Profit before tax	18.5	10.7	14.2	13.1	2.6
Cash flow	21.0	13.8	2.3	3.3	-0.4



Net sales by geographical region 2011 (2010)





Well prepared for continued growth

2011 was a strong year for CellaVision. It confirmed yet again that there is great global demand for our products. We sold our one thousandth analyzer since sales started ten years ago and can now say with pride that our technology is globally established.

CellaVision's first five customers in Europe purchased their analyzers in 2001. At that time our technology was completely new on the market. Since then we have gradually strengthened our global market position through our own subsidiaries, strong partners and by adapting our product portfolio to customer needs. Our strategy going forward relies on growth by expanding both existing and new geographical markets, and by consolidating our market position through new products.

Parallel distribution channels —addressing the market more effectively

Despite economic unrest in many markets, 2011 was a year of solid growth in both sales and profit. Sales increased by 18 per cent and the operating profit rose by 28 per cent. For the second consecutive year we exceeded our growth target of an annual 15 per cent increase in sales over an economic cycle.

Favorable growth in the North American market is largely due to our global distribution strategy introduced in 2010, which increased our sales in the USA already in the first year. The strategy means that we now work with several distribution channels within a given market, effectively improving our brand awareness and market penetration.

Increased initiatives in China and South East Asia

Our international expansion is still in its infancy. In 2012 we will continue our efforts in the North American market, while increasing our initiatives in Asia with a focus on China and the countries of South East Asia. During the year we will establish a market office in China with our own employees to provide support to our distributors, allowing us to address the market more effectively. The same strategy that we have applied successfully in both the US and Japan.

At present, growth has priority over profitability. We are still investing in personnel resources to provide customer support and will continue to develop our products to build up CellaVision as a strong, long-term world leader in the hematology market. In 2011 we achieved an operating margin of 11.5 per cent, which was short of our 15 per cent target. To meet the target we need to continue to increase our sales, derive benefit from increased volumes and invest in new markets, while remaining focused on costs.

New products on the way

CellaVision's sales of analyzers in 2011 was comprised of approximately two thirds of our large-volume analyzer (CellaVision DM96) and one third of the analyzer for laboratories with somewhat lower volumes (CellaVision DM1200). In Europe the smaller analyzer accounted for more than half of sales in the region, which confirms that our development of an analyzer to attract the greatest possible number of customers was correct, and is reflected by sales in Europe increasing by 17 per cent during the year.

Developing new products and continually improving our existing products is one of the most important parts of CellaVision's growth strategy. First up is a product for veterinary medicine. It is a modification of an existing analyzer adapted for the veterinary market. The initial launch is directed at about 100 large veterinary laboratories in the USA and Canada; which means commercial laboratory chains and veterinary universities. North America is our first focus, since the market is well consolidated, with a small number of laboratory chains with large quantities of samples that are in great need of automation. In time the market can be extended geographically to other parts of the world.

OAnother new product, the CellaVision Image Capture System, will be presented to our European and Canadian customers in May-June and later introduced in other markets as well. This product digitizes the blood sample and transmits in the cell images to one of CellaVision's larger analyzers. We can now offer networked hospitals of all sizes a complete range of products for blood analysis.

Stable and increased production —necessary for continued growth

In the past two years we have made great efforts to ensure a stable product supply with high production capacity. In 2011 our contract manufacturer moved production in Sweden from Karlskoga to Jönköping. The move went as planned and we succeeded in maintaining deliveries, despite many technical challenges combined with high demand from our customers.

We now have a good rate of production and delivery, giving us the scope to continue to meet our growth targets. In addition, in 2011 we expanded the head office in Lund.

Together with strong, global sales channels and continued product development resources means that CellaVision is well prepared for continued growth.

Increased interest in the CellaVision share

In 2011 the value of the CellaVision share increased by 25 per cent, while the Nasdaq OMX Small Cap index fell by almost 20 per cent. This is of course a gratifying confirmation of the company's sound development during the year. It is also gratifying that broad interest in the CellaVision share is increasing. We now have 1,635 shareholders – an increase of more than 85 per cent since we communicated our change of listing from First North to Nasdaq OMX Small Cap at the beginning of 2010.

Thank you!

To conclude, I would like to extend a heartfelt thank you to all employees and partners for your great commitment, which is necessary in a vigorously growing company. The number of employees at CellaVision has grown at all our offices during the year. We are working together to make our technology the standard at laboratories the world over.

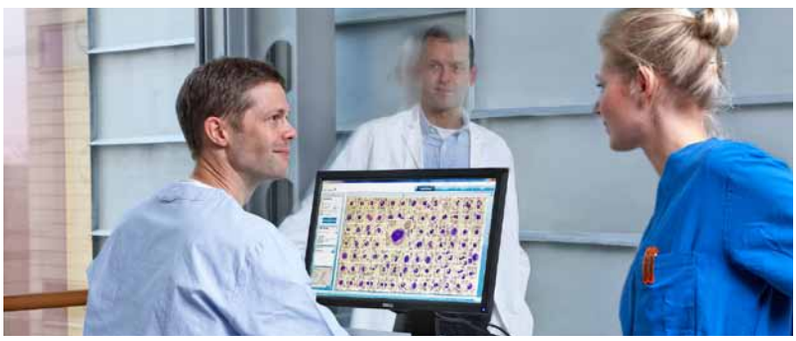
Growth was the byword in 2011. In 2012 I expect continued success from our new initiatives where the obvious goals are continued growth with profitability.

Lund, March in 2012
Yvonne Mårtensson, President and CEO

"We have gradually strengthened our global market position through our own subsidiaries, strong partners and by adapting our product portfolio to customer needs. Our strategy going forward relies on growth by expanding both existing and new geographical markets, and by consolidating our market position through new products."

This is CellaVision

We offer the health care sector digital solutions for analysis of blood and other body fluids. The solution brings considerable gains in test result quality, productivity and response times.



Business concept

CellaVision develops and sells digital solutions for medical microscopy. We replace microscopes with analyzers based on digital image analysis technology, artificial intelligence and IT. Our solution contributes to more effective workflows and higher quality in laboratory medicine, an important part of the health care sector.

Objective

Our long-term objective is to be a world-leading supplier of cell and tissue analysis based on digital technology. We will achieve that objective by working close to the customer together with strong partners and by being at the forefront in our area of technology.

Read more about our growth strategy on page 9.

Vision

Our vision is to create a global standard for digital microscopy in the field of laboratory medicine. Our method provides the laboratory with competency, quality and time, which together imply cost-effectiveness and improved patient care.

Business model

CellaVision's customers are in hospital laboratories and commercial laboratories, mainly in Europe and North America. Demand is also gradually increasing in parts of Asia. We sell globally via the two largest companies in hematology; the Japanese company Sysmex and the American company Beckman Coulter, and in selected markets via our own sales companies. The demand for our products is strong and is due to increased efficiency and quality assurance requirements in the healthcare sector.

Our products are usually part of major procurements of laboratory medicine equipment, in which our partners' cell counters are included. Our revenue comes mainly from sales of hardware, but also from software and consumables. The ambition is to increase share of software sales in the long term, both through more applications for the existing customer group and through commercializing new areas of analysis.

Financial targets and outcome

CellaVision's long-term financial target was set when the company was listed on Nasdaq OMX Stockholm, Small Cap, in May 2010. We have as an objective to increase sales over an economic cycle by an annual average of at least 15 per cent with an operating margin of more than 15 per cent. In 2011 CellaVision achieved growth of 18 per cent. The distribution strategy with parallel, global sales channels makes a considerable contribution to the positive sales trend, above all in the USA. Continued investments in our own organization and establishment on new markets reduced the operating margin, which was 11.5 per cent.

	GROWTH	PROFITABILITY
Targets over an economic cycle:	At least 15% annual average	Operating margin of more than 15%
Outcome 2011	18.0%	11.5%
Outcome 2010	20.7%	10.6%

Areas of application for CellaVision's analyzer

Hematology and other areas of analysis

Hematology means the science of the blood and its diseases. In the health care sector, hematology is a branch of medicine that focuses on studies of the blood, diseases of the blood and other illnesses that can be diagnosed via blood analysis. Analysis is carried out throughout the world at clinical laboratories specializing in clinical chemistry or hematology. Samples are analyzed, mainly from blood but also bone marrow and often other body fluids, including cerebrospinal fluid, lung fluid and synovial fluid. Analysis is carried out as part of both human and veterinary diagnosis.

Microscopic analyses are made in a number of other sub-fields in laboratory medicine, such as pathology (tissue samples) and cytology (cell tests). CellaVision's digital technology, which has gained a foothold in hematology, could automate and facilitate the work here too.

Read more on how an analysis is carried out on pages 10–11

Products

CellaVision offers products for analysis of blood and other body fluids to clinical hematology laboratories. The entire solution creates the conditions for effective and efficient hematology services aimed at delivering high-quality care.

The health care market

Analyzers for blood:
- CellaVision® DM96 and CellaVision® DM1200

Optional application for body fluid analysis:
- CellaVision® Body Fluid Application

Software for remote access via a computer network:
- CellaVision® Remote Review Software

Software for continuing skills development and proficiency measurement:
- CellaVision® Competency Software

*The veterinary market**

Analyzers for blood:
- CellaVision® DM96 Vet

Software for remote access via a computer network:
- CellaVision® Remote Review Software Vet

** In early 2012 CellaVision launched an analyzer for large veterinary laboratories in North America.*

Analysis can discover serious illnesses

Analyses done using CellaVision's analyzers supply information concerning patients' health conditions, but do not provide diagnoses on their own. Physicians take into account several different sources of information in order to establish diagnoses.

Blood. Using a drop of blood smeared onto a microscope slide, we can measure red and white blood cell populations based on their appearance (size, shape, and color). The results of our analysis can indicate the presence of infections, allergies, anemia, and blood cancer diseases such as leukemia and lymphomas.

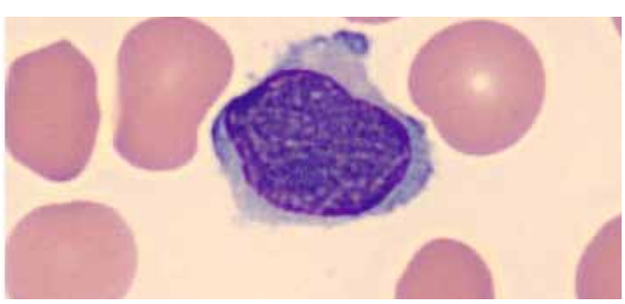
Body fluids such as cerebrospinal, pleural and synovial fluids can also be analyzed by CellaVision analyzers. In these we measure cell populations and can detect presence of abnormalities such as tumor cells and bacteria. Irregularities can be a sign of infection, inflammation, parasites, and cancer.

The CellaVision blog: Mystery cell case

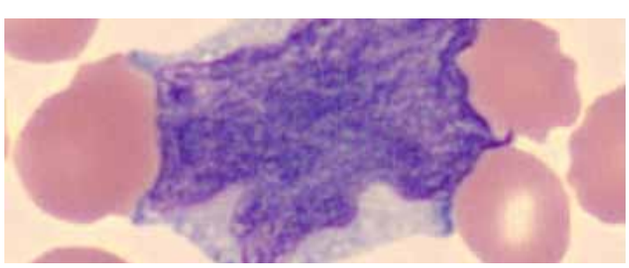
"This case presents a 60 year old man who came to a hospital in California, USA, with abdominal pain, pain in the neck and armpits and a sore throat. He also suffered from night sweats and a high temperature.

With the help of CellaVision DM96, abnormal white cells where found in his blood. The man was diagnosed with Mantle Cell Lymphoma. The condition is an uncommon type of non-Hodgkin's lymphoma (NHL) that mostly affects older adults."

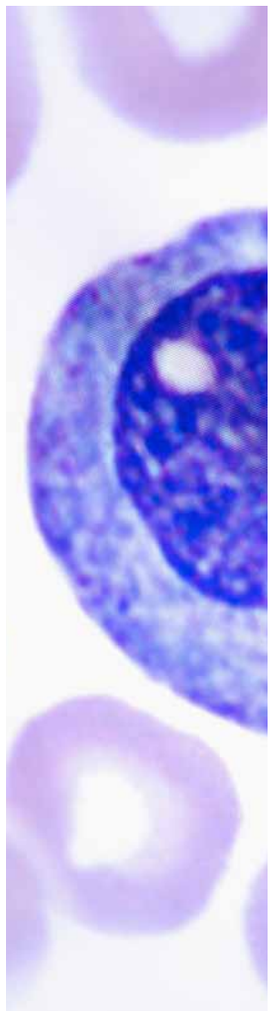
blog.cellavision.com/articles/
Posted on January 11, 2012 by CellaVision News Blast | Tagged mystery cells | 46 Comments

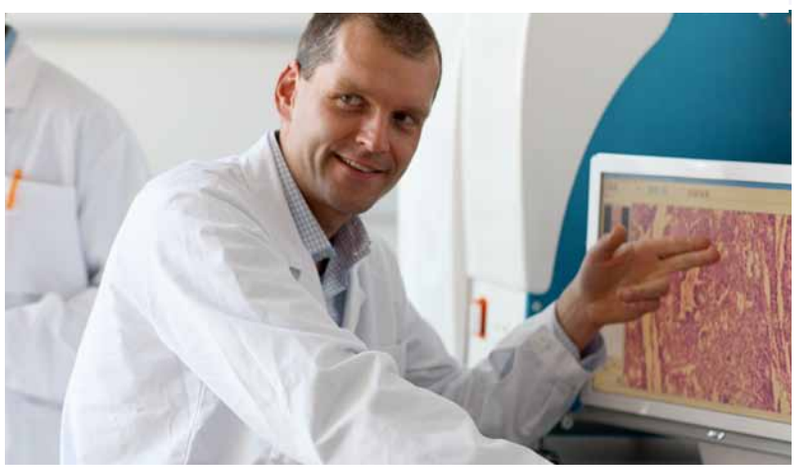


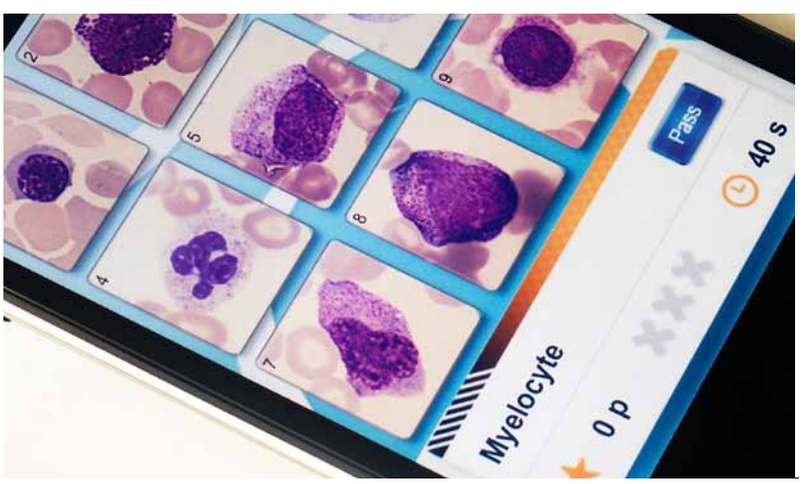
A typical example of a normal lymphocyte. The size is about 10-12 micrometers. Round nucleus.



An abnormal lymphocyte found in the blood of the patient with non-Hodgkin's lymphoma, as described on the left. The size is about 20-25 microns. Irregular nucleus with change in nuclear structure.






Pass
40 s
Myelocyte
0 p

Five foundations for growth

CellaVision's overall growth strategy is based on global expansion, partnership and product development. Growth takes place through focusing on customers and the market. Our goal is for our analytical method to be standard at clinical laboratories throughout the world.

1. Target group/end customer/user: We currently target clinical laboratories in hematology with a growing need for automation. These are mainly found in Europe, North America and selected markets in Asia, including Japan, China and South East Asia.

2. Customer relations: Customers' purchasing behavior and needs direct our business. Only through satisfied customers can CellaVision continue to grow and develop. We work close to partners and end customers to ensure that our products meet market requirements for quality, function and user-friendliness. In customer surveys in the last two years the average score for reliability and user-friendliness of the product has been just over four, on a scale from one to five.

3. Sales channels: CellaVision reaches a broad geographical market by cooperating with strong, strategic and complementary partners with a local presence. We sell our products through the largest hematology companies in the world; the Japanese company Sysmex and the American company Beckman Coulter, with a presence in more than 150 countries. Our own sales organizations in the Nordic area, the USA, Canada and Japan give continuous support and training to our partners during the sales process. We are constantly looking at new opportunities and forms of cooperation.

4. Product development: We will grow by broadening our product range for existing customer groups and by examining the possibility of commercializing new areas of analysis. We seek the best solution and preferably develop it ourselves, but the strategy also includes development through cooperation with partners. The emergence of competing companies in the market puts further demands on our future product development.

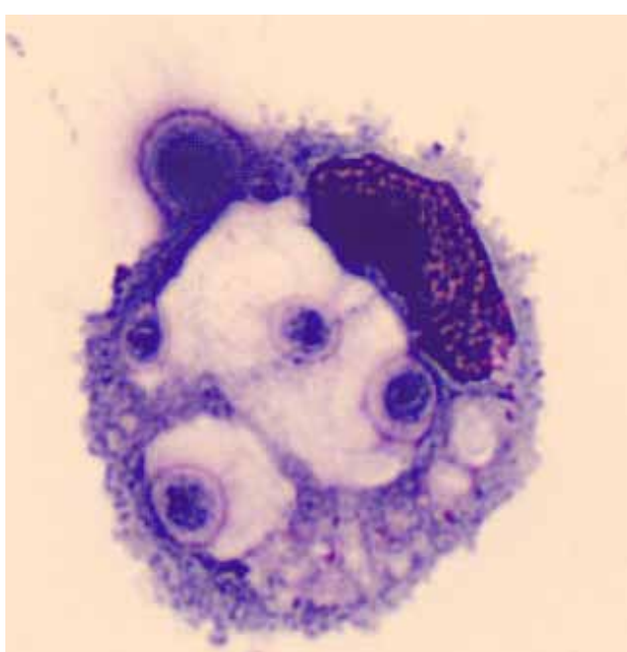
5. Company culture: Satisfied employees create the conditions for satisfied customers. It is important to us that our employees enjoy their work, feel involved and motivated. Innovative ideas are an important factor behind CellaVision's positive development. With leading-edge expertise in image analysis, artificial intelligence and automated microscopy, as well as a great quantity of IT knowledge, we can develop solutions that bring considerable benefits to our customers.

The CellaVision blog: Mystery cell case

"The patient was from Africa, and she had been tested HIVpositive. The cells in row four were not white blood cells —but Cryptococcus.

The patient was very ill when she came to Copenhagen University Hospital, and it took several months to cure her from the Cryptococcus infection. Cryptococcus is a type of yeast, which has a capsule surrounding the cell.

The cell image was found on the CellaVision DM96 and shows a monocyte digesting Cryptococcus."



blog.cellavision.com/articles/
Posted on February 8, 2012 by CellaVision News Blast |
Tagged cryptococcus, mystery cells | 4 Comments

More effective analysis and higher quality

Using CellaVision's solutions, the world's laboratories can improve effectiveness, speed and quality of both everyday work and analysis results. CellaVision's products and systems make the manual microscope redundant.

Analysis time cut by half

CellaVision's analyzers identify and photograph the different cells in batches of up to 96 samples at a time. Automation frees time for staff and contributes to cost savings. Studies show that analysis time can be cut by up to 50 per cent.

For staff, CellaVision's products also mean an improvement in work posture, which reduces repetitive strain injury, in particular to the neck, back and eyes. At the same time the workflow is improved and made more effective.

Higher quality test results

CellaVision's analyzers pre-classify the cells. The cell images are magnified and shown directly on a screen, which facilitates the final sample assessment.

CellaVision's method promotes cooperation and the transfer of competence between colleagues. Reference libraries and proficiency tests using digital cell images make training easier and more effective.

Direct contact with experts

Cell images and test results can be sent electronically in just a few seconds. This opens completely new opportunities for the staff to consult colleagues and specialists at other units or hospitals. Response times can be cut from days to minutes, while access to more specialists proves a better quality of analysis.

Cell images and analyses are automatically saved in the analyzer's database, making it easy to follow patients over time.

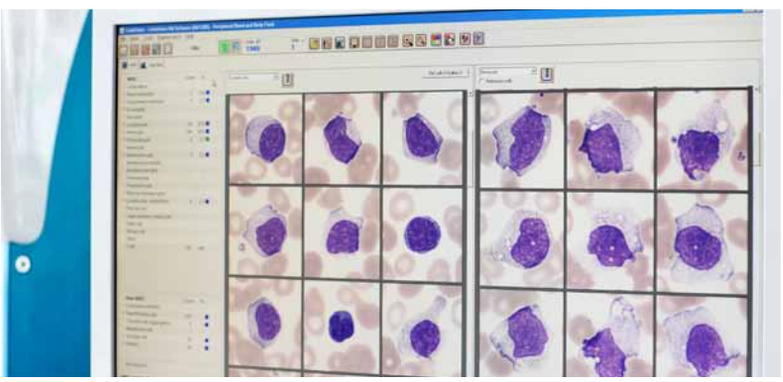
Skåne Regional Council, Sweden, improves reliability of blood disease detection

> "Cell images and analysis results will be stored in a common database where earlier results are also registered, which is an advantage when patients have received care at different hospitals. In addition, cell images can be analyzed remotely, meaning that there is always access to qualified staff."

Maria Berggren Söderlund, head of clinical chemistry, commenting on the fact that the Regional Council is replacing analyzers and methods to make results from their ten laboratories more consistent.

CellaVision's analyzer imitates human senses

CellaVision's analyzers imitate the functioning of the human eye and human brain.



CellaVision's technology in the fields of autofocus and image analysis is unique. Inside the analyzers an inbuilt microscope, a digital camera, high-precision mechanics, advanced image analysis software with patented autofocus systems and artificial neural networks all interact. Using these functions the analyzer identifies, photographs and pre-classifies cells in blood and other body fluids.

CellaVision's software contains advanced algorithms for digital image processing and cell identification. Neural networks recognize, distinguish and classify cells. In a certain sense a neural network imitates the human brain's way of processing signals. The digital camera replaces the human eye's recording of information.

This is how it works

Hardware precision and advanced navigation software

To find and record images of cells on the microscope slide the slide is transported to the microscope itself, where the lens and camera are. With the help of digital imaging a suitable area is found in low magnification and then images of cells are collected in high magnification. To achieve this, both large movements and extremely small movements are required, which makes heavy demands on precision in the hardware and on speed in the navigation software.

Autofocus

One of the most time-consuming operations in automated microscopy is to ensure the correct focus for the digital images. CellaVision has several methods for automatic focusing, which guarantee that each image quickly comes into perfect focus.

Image improving technology

When the cell has been photographed CellaVision uses image improving technology methods to accentuate, reduce interference and adjust the color. This is to achieve an image that is at least as good as the image seen through a microscope.

Feature extraction

When the computer has this picture, the cell is cut out from the rest of the image using segmentation algorithms. Quantities of characteristics are calculated from this image. These are based on advanced image analysis and statistics.

Artificial neural networks

Finally a classification of the cell is proposed, using a complex hierarchy of artificial neural networks that imitate the brain's way of processing information. A large quantity of calculations based on the cells in CellaVision's image database is required to train these networks. CellaVision has developed its own training algorithms that enhance the training considerably compared with traditional methods, which makes the use of very large data sets and complicated network structures possible.

Protected by patents

Since its formation, CellaVision has built up a technology platform that forms the basis of the company's product development. It has core competence in image processing, artificial intelligence and automated microscopy. The technologies are protected from infringement with the help of a patent portfolio that currently consists of 18 patented inventions, which to date have generated 34 patents. Most of the company's patents are in the technology fields of image processing and precision mechanics.

Higher cost pressure and staff shortages continue to drive demand

There is a demand from clinical laboratories all over the world for faster, higher quality analysis. At the same time the cost pressure is rising and shortages of skilled staff increasing. Taken together, these are important changes driving demand for CellaVision's products.

CellaVision's business – analyzers for blood and other body fluids – is in the hematology market. The products automate the work that laboratory staff traditionally carry out manually in microscopes, and test results are saved digitally together with cell images and other patient data. At the same time CellaVision's products simplify procedures, which gives more effective workflows and more standardized test results. Sales are global, partly via distributors, partly directly through CellaVision's own organization.

The hematology market—about SEK 11.6 billion

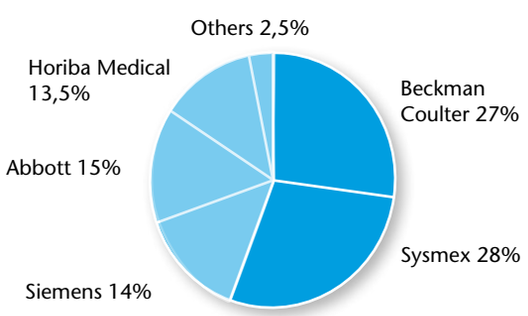
The total value of the global market for hematology analyzers and reagents is growing annually by 2.4 per cent and in 2010 was SEK 11.6 billion (USD 1.7 billion).* In 2015 the market value is expected to be USD 1.9 billion, which implies a somewhat faster rate of growth in coming years. The USA represents the largest market, followed by Europe.[1]

Included in the hematology analyzer group are analyzers for classifying and counting blood cells, including cell counters and flow cytometry, coagulation and slide maker stainers. In Europe and the USA about 1.3 billion blood cell analyses are carried out annually in cell counters.[2] The market is characterized by a high maturity level and large-scale procurement contracts. The main competitive parameter is price, but product innovations and strategically important combinations are also of great importance.[1]

The hematology market is a sub-segment of the market for in-vitro diagnostics, which is expected to report sales of about SEK 235 billion (USD 34,7 billion per year.[3] CellaVision's distributors, Beckman Coulter (USA) and Sysmex (Japan) are the two largest players in the market for cell counters and other hematology analyzers. Together their market share exceeds 50 per cent. The other three global players are Abbott Laboratories (USA), Siemens Healthcare Diagnostics (Germany) and Horiba Medical (Japan).

Since 2001 CellaVision has had an established working relationship with Sysmex in several markets and in spring 2010 the companies initiated global cooperation. Since January 1, 2010 CellaVision also cooperates on distribution with Beckman Coulter in the USA, Latin America, Oceania and parts of Asia. Via the distributors CellaVision's products are part of a complete customer offer.

The leading players market shares of the global hematology market based on sales'[1]



CellaVision's products replace the manual microscope

On average about 15 per cent of blood cell analyses in cell counters show signs of disease. These analyses are sent for further review, which is traditionally carried out manually with a microscope, but this is gradually being replaced by CellaVision's analyzers for digital microscopy. This part constitutes the main market at present for CellaVision's products.

The analysis involves examining the distribution and appearance – size, form and color – of red and white blood cells. In this way signs of infections, allergies, anemia and serious cancers such as leukemia and lymphoma can be detected.

* Source material is in USD. Exchange rate SEK 6.80.

The manual work of analysis with a microscope is estimated by CellaVision to amount to about one billion US dollars distributed among 200 million tests per year. The industry has for a long time believed that more developed cell counters would reduce the percentage of manual analyses, but to date volumes have remained unchanged. But a higher average life expectancy and more older people in the industrialized world have instead increased the quantity of tests somewhat. This puts further pressure on health and medical care to work with more effective processes and tools[5].

Using CellaVision's analyzers the analysis is automatic and approved on screen by a medical technologist. In that way the laboratories can cut the amount of manual work by half, while laboratories retain or raise the quality of analysis[6]. Analysis of body fluids follows the same procedure, but the volume of samples per day is considerably lower than for blood.

Follow the blood's way through the analysis process via our partners' cell counters and slide maker stainers to the final assessment in CellaVision's analyzer on page 58.

"Development in laboratory medicine applies in particular to methods, analyzers and equipment. In North America and Europe mergers are taking place between both major players and independent laboratories. The need for technology that increases effectiveness and reduces costs is great."

MARKET VALUES

	Annual sales, MSEK	Annual growth, %
Hematology[1]	11 600	2.5
CellaVision's current target market[4]	1 000	2.5
CellaVision's sales	155	18
Estimated market share 2011	15.5 %	-

CellaVision estimates its current market to be at least five billion kronor. Procurement in more mature markets normally takes place every fifth to seventh year. This means that CellaVision's annual target market is at least one billion kronor.

CellaVision's annual target market —at least one billion kronor

CellaVision's market for its present products is laboratories at hospitals with more than 200 beds, and commercial laboratories. CellaVision estimates that this implies a world market of about 15,000 laboratories.

The total value of the potential market for CellaVision's present products is estimated by CellaVision to be at least five billion kronor. Procurement takes place at intervals of about five years and CellaVision's products by and large follow the same cycle. This means that the annual target market is at least one billion kronor.

CellaVision sees considerable opportunities to further increase its market penetration in the countries in which the company has both distributors and its own sales organizations. The distributors' offer becomes more attractive since CellaVision's products complement the laboratories' existing analyzers and automates more of the work. By selling both directly, with its own salespeople, and in parallel via distributors, CellaVision penetrates the market more broadly and effectively.

Trends that create the need for more effective technology

The laboratory market is characterized by increased cost pressure. Demands for improved effectiveness and timesaving are being made of both users and suppliers. The market is continually driven towards consolidation in the form of increased cooperation and mergers between hospitals, laboratories and health centers.

Development in laboratory medicine applies in particular to methods, analyzers and equipment. In North America and Europe mergers are taking place between both major players and independent laboratories. The need for technology that increases effectiveness and reduces costs is great.

The laboratories want to avoid dealing with samples manually, both during analysis and transportation. Modern information technology allows new work procedures to be created, based for example on telemedicine transfer and communication. In parallel with this, interest in digital imaging and rapid scanning of slides is increasing. Using digital image analysis it is simpler to scan large areas or a large number of cells, at the same time as more interesting cells can be more closely studied.

Drivers—higher cost pressure and staff shortages

CellaVision's growth is linked to various drivers in the health and medical care market. The market is exposed to heavy cost pressure and the growing staff shortages in laboratories, particularly in Europe and North America, make CellaVision's automated products very attractive.

Market description

"Successful innovation not only builds on science and technology, but also on development together with customers. So far only CellaVision has achieved compliance with the respective regulatory safety and quality requirements and succeeded in commercializing its products in a global market."

They free up time for the analyst and increase objectivity, security and standardization in analysis. This means reduced anxiety for the patient due to shorter response times and increased patient safety.

It is believed that in the longer term it will be difficult for laboratories to retain their competence. In Europe and North America more than half of the medical technologists are aged 50 or over. This means there will be large-scale retirement in the coming 15-year period. Swedish and North American reports show that for many years too few medical technologists have been trained and young people's interest in the occupation is weak, which reduces the chances of recruiting qualified staff. Forecasts show that the supply of medical technologists will be almost halved in the next 15 years.[7]

With the help of CellaVision's technology the laboratories can secure the processing of large volumes of samples and create a more attractive working environment. In addition, the introduction of new technology can be a way of increasing interest in the occupation among the younger generation.

Level of innovation of the technology

The use of digital images and image analysis in health care has increased substantially in the 2000s. Most laboratories have at least one microscope with camera set up to record images of samples for the purpose of training or consultation. Many projects around the world, including at universities and higher education institutions, aim to digitize samples and classify/diagnose cells and tissue samples on the basis of these images. To date very few of them are commercialized.

Developing a reliable image analysis system with high speed of analysis and image quality, classification of cells and functions for integrating IT solutions is a great challenge. Successful innovation not only builds on science and technology, but also on development together with customers. So far only CellaVision has achieved compliance with the respective regulatory safety and quality requirements and succeeded in commercializing its products in a global market.

Read more about CellaVision's competitive advantages and on other players in the market on page 23.

1. Hematology Instruments and Reagents, A Global Strategic Business Report, January 2011, Global Industry Analysts, Inc.
2. The company's own observations based on knowledge of the global hematology industry and communications with other players on the market.
3. Sysmex Corporation's estimation (Sysmex annual report 2010).
4. CellaVision's estimations.
5. WHO, World Health Statistics 2010.
6. Journal of Clinical Pathology 2007;60:72-79 Examination of peripheral blood films using automated microscopy; evaluation of Diffmaster Octavia and Cellavision DM96, H Ceelie, R B Dinkelaar, W van Gelder.
7. Högskoleverket, Högskoleutbildningarna och arbetsmarknaden. Ett planeringsunderlag inför läsåret 2010/11, 2010: 1 R; American Society for Clinical Pathology's, ASCP Works to Fight Lab Staff Shortage (2010); The Wall Street Journal, Staff Shortages in Labs May Put Patients at Risk (2009); The National Union of Public and General Employees Canada, Escalating shortage of lab professionals threatens patient care (2008).

A thousand analyzers in ten years

CellaVision was established in 1994 to develop automatic microscopic analysis. The idea came from the then medical student Christer Fåhraeus, now one of Sweden's best known entrepreneurs. In 2001 the company secured its first customer, Swedish Malmö University Hospital.

2011

Celebration of ten years as a trading company and delivery of the thousandth analyzer. Launch of cellphone app for competency development with more than 20,000 downloads. Customers in almost 50 countries. Improved production and delivery capacity.

2010

New global distribution strategy with parallel sales channels: Sysmex and Beckman Coulter. Listing on NASDAQ OMX Small Cap.

2009

Launch of the third generation analyzer, CellaVision® DM1200. Winner of the Sweden BIO Award.

2008

A subsidiary is formed in Japan with its own sales organization. Launch of body fluid analysis software. CellaVision's own sales organization is formed in the USA, in parallel with the distributor Sysmex America. Sales reach SEK 100 million.

2007

Listing on First North. A subsidiary is formed in Canada with its own sales organization. CellaVision reports a profit for the first time.

2006

ISO certification. Extended exclusive distribution agreement with Sysmex Europe, covering EMEA and Asia Pacific.

2005

100 analyzers sold.
Launch of competency development software.

2004

CellaVision® DM96 approved by the FDA in the USA. An exclusive distribution agreement is signed with Sysmex America.

2003

Launch of the second generation analyzer, CellaVision® DM96, as well as software for remote access and remote working.

2001

Sales start in Sweden and the rest of Europe. An exclusive distribution agreement is signed with Sysmex Europe. A subsidiary is formed in the USA through the acquisition of Triangle Imaging Inc. The product is approved by the FDA in the USA.

Our 1,000th customer

"The investment came about due to several experienced morphologist retiring from the department leaving us with a gap – hopefully replaced with the new DM1200. We can all see the huge benefits the DM1200 could offer the lab, such as standardization of results and quicker checking of the morphology of the White cells."

Ian Howard, Section Leader for Haematology and Coagulation and Amelia Fitzpatrick, BMS, Southampton General Hospital, England

Sustainability and corporate social responsibility

Sustainable development is based on a holistic view of the global community. The concept covers economic, environmental and social impact in terms of social needs, conditions and problems.

CellaVision makes a positive contribution to sustainable development by offering new knowledge and reliable decision-making data to the health care sector when assessing blood and other body fluid samples. Our offer and our corporate culture are characterized by honesty, reliability and innovation.

To further develop sustainability work in CellaVision the company management highlighted corporate social responsibility as an important business issue in 2011. The goal is for sustainability issues to become an integrated part of the business, add value and constitute a strategy for growth. During the year the management team adopted the company's Code of Conduct and decided to start preparations in 2012 for ISO 14001 certification.

Code of Conduct

The Code of Conduct describes CellaVision's values and guidelines for how we behave in various business situations. The Code, together with CellaVision's core values and policies, forms the foundation for how we work. The Code is based on the UN Declaration of Human Rights.

The Code aims mainly to describe to our employees the responsibility that is associated with employment at CellaVision and how each employee's actions impact the company's identity and reputation. The most important principles are:

- Act in accordance with CellaVision's core values
- Act ethically and truthfully and follow relevant laws
- Respect human rights
- Avoid conflicts of interest
- Safeguard employees' health, safety and environment
- Protect confidential business information
- Be a good citizen in business and in contacts with the authorities
- Follow financial reporting and accounting standards
- "Speak up!"

The Code applies to all employees of the CellaVision Group and others who represent the company, for example members of the Board and consultants.

Environment

ISO 14001 is the international standard for environmental management systems. The standard provides guidance on how companies can effectively organize, follow up, evaluate and report their environmental work.

CellaVision's goal is for certification to lead to increased environmental commitment among its employees and a stronger focus on sustainability. Certification requires CellaVision's environmental and sustainability work to be well-organized and to lead to constant improvement. Another important premise is compliance with current legislation and regulations and the performance of regular internal environmental audits.

Core values

CellaVision bases its business on the following guiding principles: • Customer in focus • Initiative and responsibility • Simplicity and quality

The core values form the basis of how we work, the quality we offer and the way we treat customers, partners, investors and employees. The values shape our corporate climate, hold together our team and give us competitive advantages.

Product liability requirements

CellaVision develops medical equipment in a highly regulated environment. We comply with the requirements of international legislation and product safety standards, such as IEC and ISO standards, the European Directive on in vitro diagnostics (IVD), American FDA quality system requirements and a number of national directives and laws. Documentation and procedures are set up in accordance with regulatory requirements for the product development process, the function and safety aspects of the product, service and user training and customer feedback and reporting. All in all, we are responsible for our analyzers being safe for patients, users and technical service staff.

Our employees

CellaVision offers all employees a safe, stimulating and fulfilling workplace. All employees have annual target discussions with their line manager. At these discussions the individual targets are set in accordance with overall business goals and at the end of the year target fulfillment is evaluated. In that way we ensure continual skills development for our employees with a clear link to our business. Questions concerning human rights, work environment and safety are regulated in the company's Code of Conduct.

Participation, great commitment and the right skills on the part of its employees give CellaVision an important tool to continue being a strong and leading player in the hematology market. Staff turnover during the year was 12 per cent and sickness absence of 1-13 days was 1.2 per cent. We follow up how our employees perceive CellaVision as a workplace through employee surveys. In this year's employee survey 93 per cent of employees at the head office and the subsidiaries agreed with the statement "All in all, I would say that CellaVision is a very good workplace".

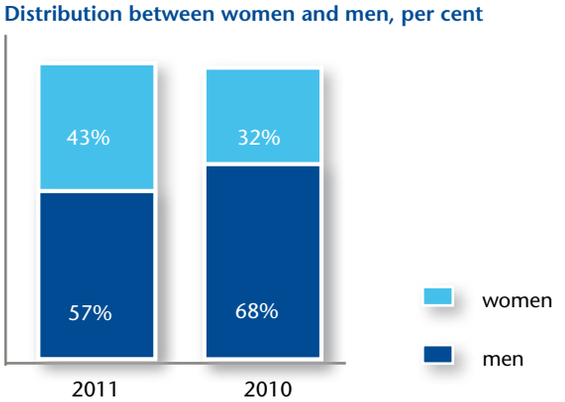
CellaVision's workforce increased in 2011 to 61 (57). During the year the company has endeavored to achieve a more equal gender distribution in the organization. CellaVision is to be a workplace in which the employees' various skill types and perspectives are given scope and contribute to developing the business. The aim has been to gradually increase the percentage of women. In 2011 twelve new people were recruited, eight of them women. We thus achieved our target of at least half our recruitment being women. We now employ 26 (18) women, which is equivalent to 43 per cent (32) of the workforce.

CellaVision will continue the work of evening out the gender distribution in the organization by function, since we believe that a more even distribution between men and women enhances competence and is positive for the work climate.

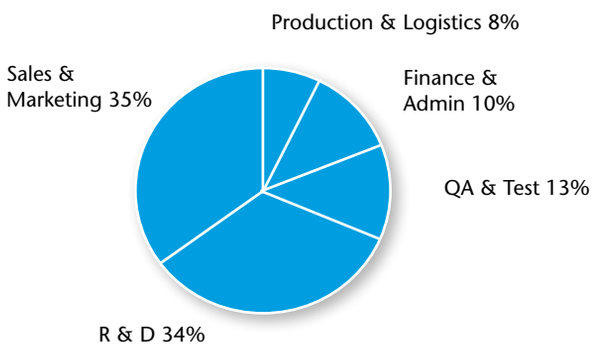
Support to society

CellaVision has supported the charity initiative Hand in Hand since 2009. The project helps women in India and Africa to start their own businesses and thereby improve living conditions for their families. The organization is currently active in India, southern and eastern Africa and Afghanistan. You can read more about the activities of Hand in Hand at www.handinhand.nu.

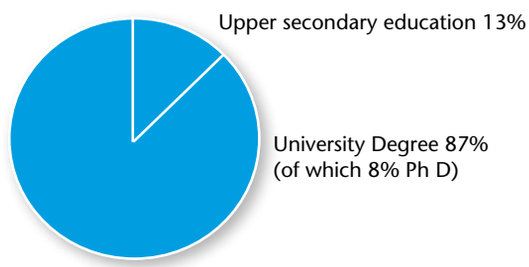
Distribution between women and men, per cent



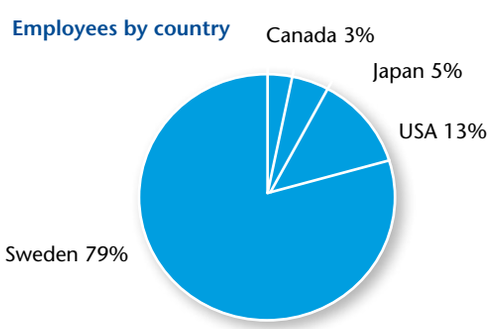
Employees by area of responsibility



Employees' level of education



Employees by country



CellaVision share performance

The CellaVision share is listed on the Nasdaq OMX Stockholm, Small Cap list. The company's market value as at December 31, 2011 was SEK 316 million (248) and the number of shareholders was 1,635 (1,444). The Board of Director's dividend proposal to the Annual General Meeting in May 2012 will be SEK 0.40 per share.

Share capital

Share capital in CellaVision AB as at December 31, 2011 amounted to SEK 3,577,732, distributed among 23,851,547 shares. The quotient value per share is SEK 0.15. Each share entitles the holder to one vote and each person entitled to vote at a general meeting of shareholders may vote for the full number of shares owned and represented. All shares confer an equal right to share in the company's assets and profits.

Price trend and share trading

The price of the CellaVision share increased during the year by 27 per cent, from SEK 10.40 at the start of the year to SEK 13.25 at year-end. During the same period OMX Nordic Small Cap fell by 22 per cent. The highest price paid during the year was SEK 14.40 (January 26), and the lowest was SEK 9.00 (January 9). The company's market value at year end was SEK 316 million (248).

In 2011 a total of 5.4 million shares were traded to the value of SEK 65.2 million. In 2010 the number of shares traded was 6.6 million.

Shareholders

The number of shareholders at year-end was 1,635, which is an increase of 13 per cent during the year. Three shareholders have direct and indirect holdings that represent more than ten per cent of the votes: Stiftelsen Industrifonden (15.0%), Metallica (11.6%) and CellaVision's founder Christer Fåhraeus (10.1%). The ten largest shareholders controlled 63.1 per cent of the company's shares on the balance sheet date. Swedish ownership was 79.7 per cent of the votes. The total institutional ownership in Sweden was 50.0 per cent. The Board of Directors and the management together owned, privately and through companies, about 12 per cent of the shares.

Employee option programs

The company had no outstanding option programs as at December 31, 2011.

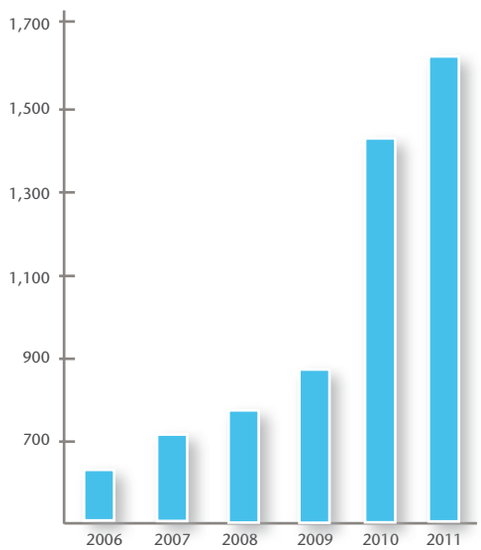
Analyses

Analyses of CellaVision are made quarterly by Redeye AB and Remium AB. Peter Östling, Redeye: peter.ostling@redeye.se. Johan Strömqvist, Remium: johan.stromqvist@remium.com.

Share capital

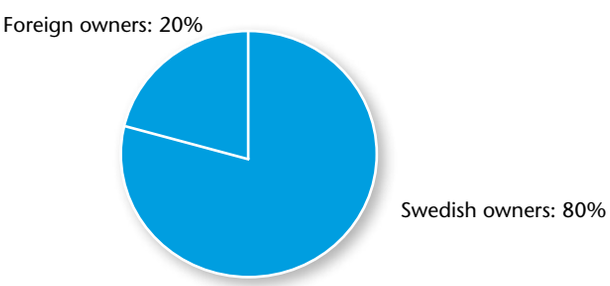
Year	Transaction new shares	Number of shares	Acc. number of shares	Increase in capital (SEK'000)	Acc. share issue (SEK'000)	Proceeds from issue (SEK'000)	Acc. issue proceeds (SEK'000
1994	New issue	500	500	50	50	50	50
1996	New issue	150	650	15	65	1,500	1,550
1996	New issue	110	760	11	76	1,500	3,050
1997	Bonus issue	760	1,520	76	152	-	3,050
1997	Split 1000:1	1,518,480	1,520,000	0	152	-	3,050
1997	New issue	122,000	1,642,000	12	164	4,066	7,116
1997	New issue	75,000	1,717,000	8	172	1,500	8,161
1998	New issue	100,000	1,817,000	10	182	4,500	13,116
1998	New issue	158,000	1,975,000	16	198	8,690	21,806
1999	New issue	1,296,750	3,271,750	130	327	25,935	47,741
1999	New issue	333,332	3,605,082	33	361	10,000	57,741
2000	Bonus issue	0	3,605,082	180	541	-	57,741
2000	New issue	1,354,454	4,959,536	203	744	74,495	132,236
2000	Options	2,500	4,962,036	0	744	150	132,386
2000	Options	1,000	4,963,036	0	744	40	132,426
2000	Options	2,000	4,965,036	0	745	80	132,506
2000	Options	22,000	4,987,036	3	748	1,100	133,606
2000	Options	88,000	5,075,036	13	761	4,400	138,006
2000	Options	3,000	5,078,036	0	762	120	138,126
2000	Options	11,500	5,089,536	2	763	690	138,816
2001	Options	15,000	5,104,536	2	766	900	139,716
2001	Bonus issue	5,104,536	10,209,072	766	1,531	-	139,716
2001	New issue	2,656,070	12,865,142	399	1,930	73,042	212,758
2002	Options	94,610	12,959,752	14	1,944	1,892	214,650
2002	New issue	545,455	13,505,207	82	2,026	15,000	229,650
2003	-	-	13,505,207	-	2,026	-	229,650
2004	New issue	6,645,504	20,150,711	997	3,023	33,227	262,877
2005	New issue	3,428,571	23,579,282	514	3,537	24,000	286,877
2006	New issue	272,265	23,851,547	41	3,578	1,906	288,783
2007	-		23,851,547	-	3,578	-	288,783
2008	-		23,851,547	-	3,578	-	288,783
2009	-		23,851,547	-	3,578	-	288,783
2010	-		23,851,547	-	3,578	-	288,783
2011	-		23,851,547	-	3,578	-	288,783

Number of shareholders 2006–2011



Shareholder	Number of shares	Ownership in %
Stiftelsen Industrifonden	3,587,257	15.0
Metallica Förvaltnings AB	2,773,967	11.6
Christer Fåhraeus med bolag	2,400,000	10.1
Livförsäkrings AB (Skandia) publ	1,626,783	6.8
Tredje AP-fonden	1,607,620	6.7
Anders Althin	963,786	4.0
Sjätte AP-fonden	644,416	2.7
Avanza Pension Försäkring AB	539,270	2.3
Unionen	491,634	2.1
Pfizer Health AB	429,611	1.8
Ten largest shareholders, holding	15,064,344	63.1
Others	8,787,203	36.9
Total	23,851,547	**100.00**

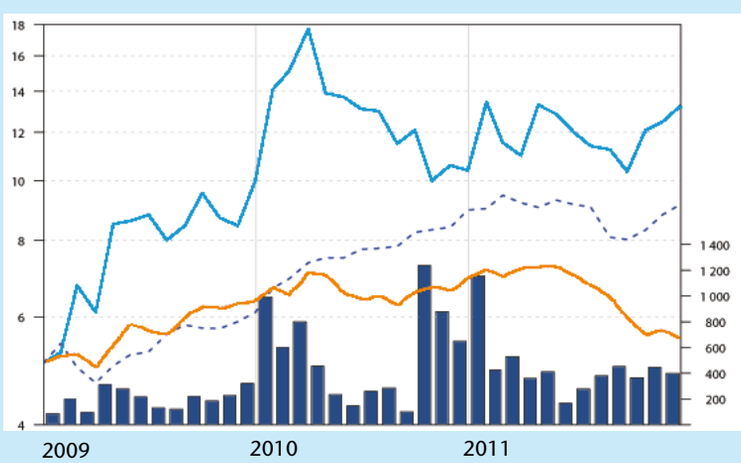
Shareholder categories



Shareholder spread

Number of shares	Number of shareholders	%
1-500	605	37.0
501-1,000	333	20.4
1,001-5,000	428	26.2
5,001-10,000	121	7.4
10,001-20,000	63	3.8
20,001-	85	5.2
Total	**1,635**	**100**

Share performance 2009–2011



The CEVI share
Ticker symbol: CEVI
Sector: Health Care
ISIN-code: SE0000683484

Movements in the share price 2009–2011
CellaVision has been listed on NASDAQ OMX Stockholm, Small Cap since May 2010. The Board of Director's plans were published in a press release in January 2010, which explains the strong share performance early in the year. In March 2010 the company followed up with news of a new global distribution strategy, causing a further rise in share price.

CEVI
OMX Nordic Small Cap SEK PI
OMX Nordic Health Care PI
Number of shares traded, thousands

Invitation to attend the Annual General Meeting

Annual General Meeting

CellaVision's Annual General Meeting will be held on April 26, 2012 at 16.00 at Ideon in Lund, Scheelevägen 19A, Delta 5.

Participation

Shareholders listed in the share register on April 25, 2011 and that have given notice of their intention to attend by 12.00 noon on Monday, April 25, 2011 are entitled to participate in the Annual General Meeting. The full invitation to attend is available in Swedish at www.cellavision.com.

Notice to attend

Notice to attend shall be given in one of the following ways:

- By mail to CellaVision AB, Ideon Science Park, SE-223 70 Lund, Sweden
- By e-mail: bolagstamma@cellavision.se
- By fax +46 462 86 44 70

Dividend

The Board of Directors proposes that the Annual General Meeting approve a dividend of SEK 0.40 SEK per share for 2011.

CellaVision has decided not to announce a dividend policy for the coming year since the company is undergoing strong growth and still requires operational investments. The operating margin improved during the year and was 11.5 %, though without achieving the long-term target of 15 % over an economic cycle. A decision on share dividend will be made from year to year, based on the company's financial situation and working capital requirements to finance the company's growth ambitions.

Financial calender 2012

April 25	Interim Report Jan–March
May 2	AGM
July 18	Interim Report Jan–June
Oct 26	Interim Report Jan–Sep
Feb 14, 2013	Year-end Bulletin

Investor relations contact

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Johan Wennerholm, CFO
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The information can also be ordered from

CellaVision AB
Att: IR
Ideon Science Park
223 70 Lund, Sweden
mailto:ir@cellavision.com

Five year in summary

SEK thousands	2011	2010	2009	2008	2007
INCOME STATEMENT					
Revenues	155,402	131,638	108,974	100,444	74,565
Cost of goods sold	-53,991	-44,082	-32,486	-36,941	-29,312
Gross profit	**101,411**	**87,556**	**76,488**	**63,503**	45,253
Selling expenses	-35,281	-33,637	-30,443	-21,748	-15,135
Administrative expenses	-27,013	-23,046	-19,285	-16,461	-16,066
Research and development costs	-21,407	-17,336	-12,058	-11,896	-11,137
Other operating income	90	411	75	0	384
Other operating expenses	0	0	0	-12	-157
Operating profit/loss	**17,800**	**13,948**	**14,777**	**13 ,384**	**3,142**
Profit/loss from financial items	714	-3,224	-616	-330	-517
Tax	-3,881	27,625	13,559	12,000	0
Net profit/loss for the year	**14,633**	**38,349**	**27,720**	**25,054**	**2,625**
BALANCE SHEET					
Assets					
Intangible assets	21,329	22,269	23,004	14,910	7,354
Tangible assets	2,015	1,592	2,270	2,824	1,257
Non-current financial assets	114	133	638	95	24
Deferred tax assets	49,304	53,184	25,000	12,000	-
Current assets	105,966	85,323	62,440	66,644	35,485
Total assets	**178,728**	**162,501**	**113,352**	**96,473**	**44,120**
Equity and liabilities					
Shareholders' equity	126,067	113,422	74,799	45,985	20,072
Current liabilities and current provisions	52,661	49,079	38,553	50,488	24,048
Total equity and liabilities	**178,728**	**162,501**	**113,352**	**96,473**	**44,120**
KEY RATIOS					
Equity, SEK '000	126,067	113,422	74,799	45,985	20,072
Capital employed, SEK '000	141,786	134,257	88,460	66,786	27,525
Liabilities to credit institutions, SEK '000	15,719	20,835	13,661	20,801	7,453
New investments, SEK '000	5,891	4,785	11,114	11,326	7,366
Cash flow for the year, SEK '000	21,007	13,847	2,326	3,291	-405
Interest coverage ratio	47	4	23	20	4
Net debt/equity ratio	-0.33	-0.13	-0.11	0.03	-0.44
Equity-assets ratio, %	71	70	66	48	45
Return on equity, %	12	41	46	76	14
Return on capital employed, %	14	13	19	29	12
Average number of employees	59	54	49	42	38
Number of employees at close of period	61	57	50	47	40
DATA PER SHARE					
Net profit/loss before and after dilution, SEK	0.61	1.61	1.16	1.05	0.11
Equity before dilution, SEK	5.29	4,.76	3.14	1.93	0.84
Equity after dilution, SEK	5.29	4.76	3.14	1.93	0.84
Average weighted number of shares before dilution, thousands	23,852	23,852	23,852	23,852	23,852
Average weighted number of shares after dilution, thousands	23,852	23,852	23,852	23,852	23,852
Number of shares at end of period before dilution	23,852	23,852	23,852	23,852	23,852
Number of shares at end of period after dilution	23,852	23,852	23,852	23,852	23,852

Description of activities

The Board of Directors and the CEO/ President of CellaVision AB (publ), corporate registration number 556500-0998, hereby submits their Annual Report and consolidated financial statements for the financial fiscal year 2011.

CellaVision develops and sells digital solutions for medical microscopy in the field of hematology. The company replaces microscopes with analyzers based on digital image analysis technology, artificial intelligence and IT. The solution contributes to more effective workflows and higher quality in laboratory medicine, an important part of the health care sector.

Customers

CellaVision's potential market for existing products currently consists of 15,000 laboratories that carry out microscopy analysis of blood and other body fluids. Most are in hospitals with on average more than 200 beds and a small percentage are commercial laboratories. Demand for CellaVision's products is strong, particularly in North America and Europe, and there is a growing interest in China, Hong Kong and the countries of South East Asia. A single customer sometimes buys more than one analyzer. The customers are mainly hospital groups and commercial laboratory chains. The company now has customers in almost 50 countries and the number of analyzers sold passed the thousand mark in 2011.

Product offering

CellaVision offers products for analysis of blood and other body fluids to clinical hematology laboratories. The entire solution creates the conditions for effective and efficient hematology services aimed at delivering high-quality care.

CellaVision® DM96

Analyzer intended for laboratories with large sample volumes. Analyzes blood and other body fluids automatically with up to 96 consecutive slides. In general, demand for the larger analyzer is great in the markets where capacity requirements are high, such as the USA, parts of Asia and in the large laboratories in Europe. This group also includes the independent commercial laboratories.

CellaVision® DM1200

Analyzer intended for laboratories with mid-size sample volumes. CellaVision DM1200 is fully automatic like the DM96 but adapted to laboratories with somewhat lower sample volumes. Analyzes blood and other body fluids with up to 12 consecutive slides. The analyzer attracts a larger number of middle sized laboratories, especially at hospitals in Europe.

OPTIONAL APPLICATIONS

CellaVision® Body Fluid Application. Most laboratories that analyze blood also analyze other body fluids, for example spinal fluid, synovial fluid and pleural fluid. The application for body fluid analysis is available for the CellaVision DM96 analyzer in all main markets and for the CellaVision DM1200 analyzer in North America and EMEA.

CellaVision® Remote Review Software is supplementary software for remote review that makes it possible for external units to access sample results and cell images. The software is of interest to health networks that wish to centralize their analyses in one hospital or when laboratory staff want to consult colleagues located in another department or another laboratory.

CellaVision® Competency Software for education and quality assurance. The program tests laboratory personnel's proficiency in cell classification, and is used both for educational purposes and for monitoring their staff expertise.

New product for veterinary market

Since the first quarter of 2012, there is an analyzer available for the North American veterinary market, CellaVision DM96 Vet. The product is an adapted version of the company's existing instrument for human blood with the capability to analyze blood from the most common companion animals. The product will initially be marketed to larger veterinary laboratories in the U.S. and Canada, where both the volume of samples and the need for an efficient analytical method, are high. Software for remote review is also available.

Other products

Other products marketed by CellaVision are a barcode reader for copying and printing labels with patient data, light beacons to show the status of the analyzer and HemaPrep, a product for preparation of blood smears on microscope slides.

In addition to this, CellaVision offers its customers and distributors spare parts, technical service and support, as well as software upgrades. Consumables offered include immersion oil (for the instrument's optical system), barcode labels and slide magazines. Service and end customer agreements are provided by CellaVision for direct sales. In other markets the distributors are responsible for these products and services. Accessories, consumables and service still account for a minor part of the company's total sales.

Sales and distribution

CellaVision reaches a broad geographical market by cooperating with strong, strategic and complementary partners with a local presence. The company sells its products through the largest companies in hematology in the world; the Japanese company Sysmex and the American company Beckman Coulter. In the Nordic area, the USA, Canada and Japan direct sales are also made via CellaVision's own sales companies.

Cooperation with Sysmex started in Europe in 2001 and has been successively intensified over the years. Since 2010 the agreement covers the whole world with the exception of Canada, including Sysmex' domestic market, Japan.

In 2010 CellaVision strengthened its distribution network with another global company, the American distributor Beckman Coulter. The agreement covers the USA, Latin America, Oceania and parts of Asia, including China and South East Asia.

CellaVision's products are often included in large procurement contracts for laboratory medicine equipment, for example cellcounterscell counters and slide maker/stainers. With CellaVision's products in their mix, Sysmex and Beckman Coulter can offer their customers a complete line of laboratory instruments, in other words instruments that cover all the steps of the analysis process.

Competition

CellaVision's primary competitor is manual microscopy. The emergence of new digital analyzers shows that the segment is attractive for other companies too. At present, however, commercial competition is limited to a few competing products and companies.

Apart from CellaVision's products, Sysmex sells its own in-house developed product for blood analysis for high-volume laboratories with market approval only in Japan. Since 2010 Sysmex has also been the distributor of an American product for small laboratories in the USA, developed by Medica Inc.

There are two blood analyzers on the European market. The Austrian company TissueGnostic's product was marketed in 2011 by Siemens and a product from the German Fraunhofer Institut in collaboration with Horn Imaging was marketed by Horiba Medical.

All competing products currently offer only limited possibilities of resource redistribution and cost efficiency. CellaVision offers a more complete solution, with products for blood and body fluids, the possibility of remote access and competency development, thereby reaching a considerably wider target group. CellaVision assesses that its lead over its competitors is considerable, as regards both product potential and the strong market position established by CellaVision after ten years in the market.

Competitive advantages

CellaVision has established itself as a leading player within system solutions for microscopy analysis in hematology. After ten years of activity, CellaVision has achieved a strong market position as a developer of user-friendly systems that can easily be adapted to and integrated with other systems in hospital environments.

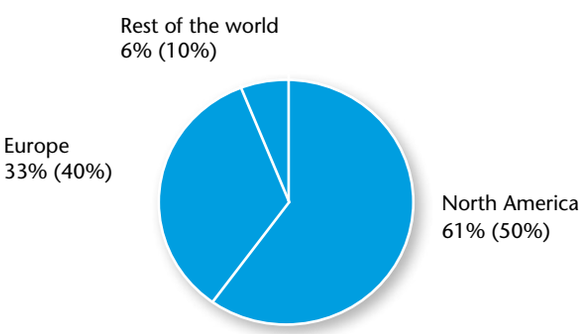
Health and medical care is characterized by heavy cost pressure, hospital mergers and growing staff shortages in laboratory operations. CellaVision's automated products have proved to be a highly interesting solution for large and mid-sized laboratories, since they improve the possibilities of maintaining and exchanging competence within and between hospitals. Laboratories can use the products to streamline their operations and assure the quality of analyses, which in turn benefits patient care.

The products' added value combined with the company's technical competence and experienced management are expected to continue to fortify CellaVision's position on the market.

Geographical presence

The majority of hospital and commercial laboratories that use CellaVision's products are in North America and Europe. In 2011 North America increased its share of total sales to 61 per cent, Europe accounted for 33 per cent of total sales, and the rest of the world for 6 percent.

Sales per geographical region, 2011 (2010)



North America

North America is CellaVision's most important growth market. The market developed very well in 2011 and sales increased by 45 per cent compared with 2010, which above all is attributable to successes in the USA. The increase in dollars was as much as 59 per cent.

In the USA the new distribution strategy in place since 2010 using parallel sales channels has proved to work well. During the year the cooperation between CellaVision's subsidiaries and the distributors Sysmex and Beckman Coulter gave very good results in the form of increased visibility in the market with accelerated market penetration as a consequence. The focus for CellaVision's sales representatives and product specialists lies on supporting the distributors' marketing and sales efforts, for example through product demonstrations and training. CellaVision's system is part of a complete customer offer to hematology laboratories, which includes cell counters and sample preparation products. Sysmex and Beckman Coulter are the two dominant suppliers.

In Canada many investment decisions have been slowed down in 2010-2011, due to appreciable caution in Canadian health care funding. Despite this, CellaVision's subsidiary won an order in late 2011 for a total of seven analyzers for blood and other body fluids from Calgary Laboratory Services (CLS). The customer is one of the major North American laboratories with operations at hospitals and in outpatient care. The order also included software licenses for remote access,

CellaVision Remote Review Software, which links together a total of six laboratories and enables more effective analysis with more consistent test result quality. The order confirms CellaVision's ability to add important value to collaborating laboratories in a hospital group.

Europe

Europe is CellaVision's largest market in terms of the number of analyzers sold to date. In 2011 sales were somewhat lower than the previous year in Swedish kronor but increased by 5 percent in euros.

The transition from manual microscopy to CellaVision's method has been in full swing for a couple of years in the European countries. Sysmex Europe sells CellaVision's products in EMEA – Europe, the Middle East, and Africa – and operates the concept of automated production lines for the entire analysis process with great success. Interest in CellaVision's digital solutions is particularly widespread in Western Europe, in markets in Germany, France, Benelux, Spain and the Czech Republic and during the year also in the United Kingdom. Growing interest can be noted in several countries of the Middle East. The new analyzer, CellaVision DM1200, accounts for more than half the number of analyzers sold in 2011. The smaller analyzer's lower sales value compared with the larger CellaVision DM96, explains the slowing rate of sales growth during the year, while the growth rate in terms of number of analyzers sold is still very positive. With this analyzer CellaVision has an attractive product for mid-size laboratories

The Nordic area

In the Nordic area CellaVision's own sales organization sells in parallel with Sysmex. During the year Skåne Regional Council carried out a procurement of laboratory instruments which will mean that in 2012 the region's laboratories will successively acquire the same type of cell counters and be linked together in an overall network with access to technology from CellaVision, among others. The project is strategically important for CellaVision because it harmonizes with the company's product concept for laboratories in networks – creating conditions for more effective collaboration between laboratories. Competence can be used more effectively through digital images and remote access, regardless of where the sample is. Several CellaVision's analyzers are already in place at the larger laboratories in the region.

In the rest of the Nordic area a number of older analyzers were replaced by the newer DM1200 model.

China and South East Asia

China, Hong Kong and South East Asia are markets with great long-term potential. Sales increased during the year by 30 % in comparison with the previous year, which in euros corresponds to a 32 % increase. The distributors' efforts in the region have brought results in the form of orders, mainly from hospitals in China.

During the year CellaVision continued to actively train and support the company's partners in the region to accelerate market penetration. Here investments in products cannot usually be expected to reduce costs, demand here is driven more by higher quality requirements for test results and a general interest in new technology and state-of-the art-equipment.

Japan

Japan is a market with important growth potential for CellaVision. Since the start in 2008 CellaVision's subsidiaries have marketed the company's technology to the thousand or so largest clinical laboratories in Japan. The distributor Sysmex, which is market leader with its domestic market in Japan, has been selling CellaVision's products since 2010.

Japanese health care is facing several challenges, with funding problems as expenditure increases for an ageing population that demands better quality. The natural disaster at the beginning of 2011 increased the strain on the Japanese economy and has led to lower activity in the market, which for CellaVision meant that only a few sales of analyzers were made during the year.

Research and development

In 2011 CellaVision continued to adapt its product offer to the growing customer base in the hematology segment.

In spring 2011 CellaVision's new product idea for networked hospitals and associated laboratories entered an evaluation phase, with a number of European and North American laboratories as "test pilots". The product – consisting of a camera, computer and software – will enable smaller laboratories in a hospital group to digitalize their manual blood analyses and via the network perform the analysis where there is a CellaVision's analyzer. The product launch will take place at trade fairs in Europe and Canada in spring 2012.

A veterinary application was developed during the year, for initially for the large laboratories in the North American market. The product, CellaVision® DM96 Vet, is an adapted version of the company's existing product for human blood, with the capacity to analyze blood from the most common companion animals.

Apart from those mentioned, several different development projects are in progress aimed at enhancing the analyzers through increased functionality and customer benefit.

Patents

At the close of the year the company had a patent portfolio containing a total of 18 patented inventions, which have generated 34 patents. The earliest patent expires in 2016 and the latest in 2026. Most of the company's patents are in the technology fields of image processing and precision mechanics.

Quality assurance and regulatory work

In September 2011 CellaVision received clearance by the US Food and Drug Administration (FDA) to market and sell its application for body fluids together with the company's analyzer CellaVision DM1200 in the USA. The approval means that the application is now available for the company's analyzers for mid-

Administration report

size laboratories throughout North America and in Europe. The application is already available for the larger CellaVision DM96 analyzer in all the company's main markets.

As interest in CellaVision's solutions grows in China, Hong Kong, Japan and several countries of South-East Asia, the regulatory work of new registration and reregistration of the company's products has intensified in these markets during the year.

Product supply

The steeply rising demand for the company's products caused CellaVision to focus in 2011 on raising production capacity and ensuring a stable product supply with delivery capacity adapted to higher sales volumes. Stefan Bengtsson was employed at the beginning of the year as Chief Operating Officer responsible for product supply. He has many years' experience of growing medical technology companies. In the second quarter CellaVision's contract manufacturer moved production as planned and in September production started as expected in the new location. The earlier supply disruptions from the third quarter of 2010 for some key components for the CellaVision DM1200 analyzer could be dealt with during the year and secured, for example through design changes and increased focus via a newly established, own purchase department.

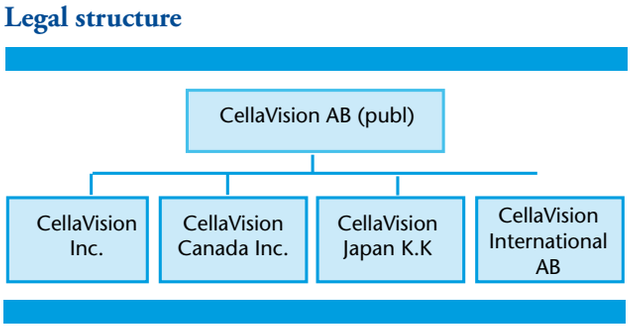
Environment

The company does not conduct activities that are subject to licensing or reporting under Chapter 9, Section 6 of the Environmental Code (1998:808). Both products and production have a minor impact on the environment. The company's environmental work is described in the sustainability report on page 16.

Personnel

The number of employees of the Group, restated as full-time equivalents, was 61 (57) at the year-end. Of these, 35 (39) were men and 26 (18) women. During the year four new positions were filled to meet the company's growth rate and ambitions. These were in support, training and product supply. Information on the company's personnel work is given in the sustainability report on pages 16-17.

Legal structure



CellaVision is a Group consisting of the parent company CellaVision AB and the wholly-owned subsidiaries CellaVision Inc., based in Florida, USA, CellaVision Canada Inc. in Toronto, Ontario, Canada, CellaVision Japan K.K., Yokohama, Japan and CellaVision International AB. The functions of the subsidiaries are sales, marketing and support to end customers.

Financial performance

Figures stated in parentheses refer to the 2010 financial year.
Net sales for the Group were SEK 155.4 million (131.6) in 2011, an increase of 18 percent compared with the previous year. Adjusted for exchange rate effects the company's sales increase was 20 percent. Sales in international markets are mainly in USD and EUR, which means that the company's sales and results are impacted by changes in these currencies. The company hedges 50-75 per cent of planned currency flows to compensate for any foreign exchange fluctuations.

The gross margin for the period was 65 % (67). CellaVision usually has large gross margin variations from quarter to quarter. This is dependent on the share of sales via distributors or via CellaVision's own sales companies, the product mix and exchange rates. The year's somewhat lower margin is due to negative foreign exchange effects and to the fact that a larger percentage of sales was via distributors. It was also impacted by the production disruptions mentioned, with a shortage of components for the CellaVision DM1200.

The Group's operating result for the period was SEK 17.8 million (13.9). The result was affected by changes in the exchange rate during the year. An exchange rate for the krona equivalent to last year's average krona rate – all else being equal – would have given an operating result of SEK 20.3 million. The profit was reduced by a provision of SEK 1.2 million for the staff incentive program.

Total operating expenses for the full year were SEK 83.7 million (74.0). Operating expenses have increased because CellaVision grew during the year and the organization as planned now includes more employees in important areas of competency. On average the company has had 10 % more employees than the previous year.

The operating margin was 11.5 % (10.6).

The Group's pre-tax profit for the year was SEK 18.5 million (10.7). The net profit for 2010 included a deferred tax credit of SEK 27.7 million referring to the value of CellaVision AB's unused tax loss carry forwards. The total deferred tax asset referring to unused tax loss carry forwards was thus SEK 52.7 million, signifying that tax assets referring to all unutilized loss carry forwards in Sweden were reported in 2010. In 2011 a tax of SEK 3.9 million is reported that is charged to profit for the year, though without having any impact on cash flow. This explains the year's lower earnings per share of SEK 0.61 compared with SEK 1.61 the previous year.

Capitalized expenditure for development projects in the fourth quarter amounted to SEK 1.4 million (2.2) and for the

Administration report

full year SEK 4.5 million (4.6). Investments in property, plant and equipment during the fourth quarter amounted to SEK 0.6 million (0.1) and for the full year SEK 1.4 million (0.2).

Financing

The funds at the Group's disposal at the close of the year amounted to SEK 61.8 million (50.8), of which SEK 56.8 million (35.8) was cash and cash equivalents and SEK 5.0 million (15.0) unutilized credit.

The cash flow from operating activities for the year was SEK 32.0 million (11.5). The stronger cash flow is mainly explained by the ability to meet strong demand at a more even pace thanks to improved delivery capacity.

Parent company

Parent company sales during the year were SEK 146.6 million (122.8). Profit before tax for the year was SEK 13.8 million (14.4).

The parent company has recognized an impairment loss on shares in the Japanese subsidiary of SEK 2.4 million. A present value calculation based on future cash flows was made for the Japanese business. This identified an impairment loss which was recorded in the parent company. The valuation of the shares in the parent company, after impairment recognition, corresponds to the expected future value of the Japanese business.

The parent company's investments in property, plant and equipment and intangible assets during the year amounted to SEK 5.7 million (4.7) and the cash flow was SEK 15.8 million (15.9).

CellaVision continuously hedges 50-75 per cent of currency exposure in net flows 12 months forward. During the year, earnings for the period were improved by unrealized exchange rate differences in the parent company's receivables from subsidiaries by SEK 0.9 million, which did not impact cash flow.

In other respects please refer to the information for the Group.

Risks and risk management

Reduced demand and changes in exchange rates constitute uncertainties but not material risks. For a more detailed description of the risks and uncertainties facing CellaVision, please refer to the risk and sensitivity analysis in note 3.

Significant events after the close of the financial year

In February 2012 CellaVision decided to launch a digital cell morphology system for the veterinary market in North America. The product, CellaVision® DM96 Vet, will initially be marketed to about a hundred larger veterinary laboratories in the USA and Canada, whose volume of samples and the need for an efficient analytical method are high. This gives CellaVision opportunities for further growth in the hematology segment. The product will be available in the first quarter of the year and will be sold direct by the company.

Outlook for 2012

CellaVision is planning for continued international market expansion and continued product development in 2012. With well-established global distributors in hematology, together with the company's own sales organization, the company has good chances of accelerating its market penetration.

CellaVision's products, that save time and consequently money, target markets with high growth potential and stand up well in competition for laboratory investments. Within the company there are a number of ongoing development projects aimed at enhancing the customer benefit of the analyzers through increased functionality and more areas of use.

The company's product supply situation improved in 2011 and is now stable and adjusted to higher sales volumes. Altogether, this makes the company well-positioned for continued strong organic growth with sound profitability in 2012.

Dividend

The Board of Directors proposes that the Annual General Meeting approve a dividend of SEK 0.40 SEK per share for 2011.

CellaVision has decided not to announce a dividend policy for the coming year since the company is undergoing strong growth and still requires operational investments. The operating margin improved during the year and was 11.5 %, though without achieving the long-term target of 15 % over an economic cycle. A decision on share dividend will be made from year to year, based on the company's financial situation and working capital requirements to finance the company's growth ambitions.

Statement by the Board of Directors on

Appropriation of profits	(SEK)
The following profits are at the disposal of the Annual General Meeting:	
Profit brought forward	112,877,521
Net profit/loss for the year	9,585,070
Total	122,462,591
The Board of Directors proposes the following for the parent company:	
Dividend to shareholders SEK 0.40 per share	9,540,619
To be carried forward	112,921,972
Total	122,462,591

the proposed dividend

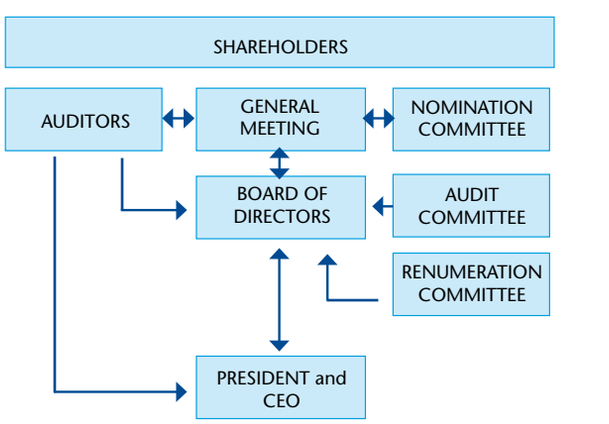
After distribution of the proposed dividend, the Group´s equity ratio and liquidity are satisfactory, which means all group companies can meet their commitments in both the short and long term. The proposed dividend can thus be justified under the provisions of Chapter 17, Section 3 of the in terms of the Swedish Companies Act.

Corporate governance report 2011

CellaVision is a Swedish public limited liability company with its registered office in Lund. Apart from the parent company, the Group consists of four wholly-owned subsidiaries in Sweden, the USA, Canada and Japan. The company's share is listed on NASDAQ OMX Stockholm. CellaVision has applied the Swedish Code of Corporate Governance (the Code) since the shares were admitted to trading in May 2010 and reports no deviations from the Code for 2011.

The term corporate governance normally refers to the rules and structure built up to govern and direct a limited liability company in an effective and controlled manner. Governance and control of CellaVision is divided between the shareholders at the Annual General Meeting, the Board of Directors and the President/CEO, and is regulated in legislation (including the Companies Act), the Articles of Association, the NASDAQ OMX Stockholm rule book for issuers and the Swedish Code of Corporate Governance. The Code is available at www.bolagsstyrning.se. In addition to legal control and governance principles CellaVision is also influenced by several internal policy documents, including instructions and rules of procedure for the President/CEO and Board of Directors, as well as internal policies and guidelines.

Overall governance structure for CellaVision



CellaVision's operations are governed by a Board of Directors elected by the shareholders. This Board in turn exercises control over the company management. The administration of the Board of Directors and the President/CEO and financial reporting is examined by the external auditors elected by the Annual General Meeting.

Shareholding

Share capital in CellaVision as at December 31, 2011 amounted to SEK 3,577,732, distributed among 23,851,547 shares. Each share entitles the holder to one vote and each person entitled to vote at a general meeting of shareholders may vote the full number of shares owned and represented by her or him without limit to the voting right. All shares confer an equal right to share in the company's assets and profits. No shares are held by the company itself.

CellaVision had 1,635 shareholders on the closing date. Of these, the following shareholders have direct and indirect holdings that constitute more than ten per cent of the voting rights of all shares in the company; Stiftelsen Industrifonden represents 15 per cent of the votes, Metallica Förvaltnings AB represents 11.6 per cent of the votes, Christer Fåhraeus, who directly and indirectly through corporations represents 10.1 per cent of the shares.

The Articles of Association

The Articles of Association of CellaVision stipulate that the company shall develop, market and sell products and systems for automated digital microscopy, specializing in software applications for the medical market. The registered office of the company is in Lund and the company's financial year is a calendar year. In other respects the Articles of Association contains provisions concerning the number of shares, number of board members and auditor and the Annual General Meeting. The Articles of Association contain no separate provisions concerning the appointment or removal of members of the board or concerning amendments to the Articles of Association. The complete Articles of Association can be downloaded from www.cellavision.se.

General Meeting of Shareholders

The highest decision-making body in CellaVision is the general meeting, which is called at least once a year and among other things passes resolutions on the treatment of the company's balance sheet and income statement, discharge from liability of the Board of Directors and President/CEO, election of the Board of Directors and auditor, fees to the Board of Directors and auditor and appointment of the Nomination Committee.

In order to participate in resolutions a shareholder must attend the meeting, in person or via a representative, and be entered under his or her own name in the register of shareholders and give notice of attendance to the company.

The Annual General Meeting of CellaVision is held in Lund during the first half of every year. In connection with the third quarterly report in 2010 CellaVision's shareholders were informed of the time and place of the Annual General Meeting in 2011 and of their right to bring a matter before the Meeting. A notice to attend the Annual General Meeting is published no earlier than six and no later than four weeks before the Meeting.

An extraordinary general meeting man be held if the Board of Directors considers it necessary or if the company's auditors or shareholders holding at least 10 per cent of the shares so requests.

Coporate governance report

Annual General Meeting in 2011

CellaVision's Annual General Meeting was held on Tuesday, April 26, 2011 at CellaVision's premises at Ideon in Lund. The Board of Directors, Nomination Committee and auditor of the company were present at the Meeting. Essentially, the following resolutions were passed:

- The parent company and consolidated income statements and balance sheets were adopted. It was further resolved that no dividend will be distributed for the 2010 financial year.
- Discharge from liability of the members of the Board of Directors and the President.
- Re-election of Lars Gatenbeck, Christer Fåhraeus, Torbjörn Kronander, Sven-Åke Henningsson and Anna Malm Bernsten, as well as election of Lars Henriksson and Roger Johanson. Lars Gatenbeck was re-elected as Chairman of the Board of Directors.
- Fee to the Board of Directors, presented in the table on page 29 and in Note 6.4 of the annual report.
- Resolution on a share-price related incentive program for the company management for 2011-2013 and 2012-2014. The program is presented in full on page 30.
- Authorization of the Board of Directors to issue shares, warrants or convertibles. The total number of newly issued shares, together with the number of shares that convertibles and warrants issued give the right to, may not exceed 3,000,000.
- Amendment to the provisions of the Articles of Association on notice to attend a general meeting of shareholders.
- Principles for the Nomination Committee.
- Guidelines for remuneration to senior management.

The minutes of the Annual General Meeting were presented on the website within a week of the Meeting. Material from the Meeting, such as the notice to attend, the minutes and information on the Nomination Committee is available to read on CellaVision's website www.cellavision.se. The full resolutions of the Meeting as above are available from the Company at the address Ideon Science Park in Lund and will be sent to any shareholder who so requests.

The Nomination Committee for the Annual General Meeting in 2012

The main task of the Nomination Committee is to propose to the Annual General Meeting the composition of the Board of Directors, which is then decided by the Annual General Meeting. The work of the Nomination Committee starts by studying the evaluation of the work of the Board of Directors commissioned by the Board of Directors. The work of the Committee is characterized by transparency and discussion to achieve a well-balanced Board. The Nomination Committee then nominates members to the Board for the next term of office and submits proposals for remuneration to the Board of Directors and auditors.

According to a resolution of the Annual General Meeting in 2011, CellaVision's Nomination Committee for the 2012 Annual General Meeting is to consist of the Chairman of the Board and one representative for each of the four largest shareholders in terms of voting rights at the end of September 2011. For the 2012 Annual General Meeting the Nomination Committee consists of Lars Gatenbeck (Chairman of the Board of CellaVision), Lennart Hansson (representing Stiftelsen Industrifonden), Aleksandar Zuza (representing Metallica Förvaltnings AB), Christer Fåhraeus (representing Christer Fåhraeus and companies) and Caroline af Ugglas (representing Skandia Liv). The Nomination Committee represented about 43.5 per cent of shareholders' votes.

The composition of the Nomination Committee was presented in connection with the interim report for January – September 2011. The Nomination Committee proposals are presented in the notice to attend the 2012 Annual General Meeting and are also available on the company's website together with an explanatory statement concerning the proposed Board.

Board of Directors

The Board of Directors and ultimately the President/CEO administers the affairs of the company on behalf of the shareholders. The Board of Directors appoints the President/CEO, who is responsible for the day-to-day management of the company. The division of duties and responsibilities between the Board of Directors and the President/CEO is clarified in the Board's Rules of Procedure and the Instructions to the President/CEO.

The Board of Directors is appointed by the shareholders at the Annual General Meeting with a term of office up to and including the next Annual General Meeting. The Board of Directors administers the company on behalf of the shareholders by establishing goals and strategy, evaluating the operative management and ensuring that there is an effective system for follow-up and control of the established goals. It is also the responsibility of the Board to ensure correct provision of information to the company's stakeholders. CellaVision's Board of Directors forms a quorum when more than half of its members are present. Under the Articles of Association the Board of Directors of CellaVision must consist of a minimum of three and a maximum of nine members with a maximum of two alternates. The Board holds an inaugural meeting directly after the Annual General Meeting.

Chairman of the Board

CellaVision's Board of Directors has been chaired since 2002 by Lars Gatenbeck. The Chairman of the Board is appointed by the Annual General Meeting. The Chairman of the Board must organize and lead the work of the Board, ensure that the Board regularly develops its knowledge of the company, communicate shareholders' views to the Board and be a support to the President/CEO. The Chairman of the Board and the President/CEO prepare proposed agendas for the Board meetings. The Chairman of the Board verifies that the Board's decisions are effectively implemented and is responsible for ensuring annual evaluation of the work of the Board and that the Nomination Committee is informed of the results of this evaluation.

Coporate governance report

The Board's Rules of Procedure

The Board of Directors is to annually adopt rules of procedure for its work. The current rules of procedure were adopted on April 26, 2011. The Board's Rules of Procedure were adopted on April 29, 2010 and are to be revised annually at the inaugural Board meeting. In addition to that, the Rules of Procedure are revised as necessary. The Rules of Procedure include the responsibilities and duties of the Board, the duties of the Chairman of the Board, audit issues and specification of the reports and financial information that the Board must receive before each ordinary Board meeting.

Evaluation of the work of the Board

Under the leadership of the Chairman, the Board conducts an annual evaluation of its work. The evaluation refers to forms of work and work climate, emphasis of the Board's work and access to and need for special competence in the Board. The evaluation is used as an aid to developing the work of the Board. In accordance with the Code, relevant parts of the results are made available to the Nomination Committee.

CellaVision's Board of Directors 2011

As of the 2011 Annual General Meeting the Board of Directors consisted of seven members with no alternates. At the 2011 Annual General Meeting Christer Fåhraeus, Lars Gatenbeck, Sven-Åke Henningsson, Torbjörn Kronander and Anna Malm Bernsten were reelected as Board members. Lars Henriksson and Roger Johanson were elected as Board members. Lars Gatenbeck was reelected as the Chairman of the Board. The members of the Board have great experience and competence in medicine and science as well as business and international operations.

The composition of the Board complies with the provisions of NASDAQ OMX Stockholm and the Swedish Code of Corporate Governance concerning independent members.

Work of the Board in 2011

In 2011 CellaVision's Board of Directors held a total of ten minuted meetings, three of which by telephone. Four of the meetings were held in connection with the approval of the year-end bulletin and the interim reports.

Important questions during the year included strategy, growth issues, product supply, market assessments and material risks. A two-day meeting with the company management was devoted to long-term strategic planning, focusing on growth areas for digital microscopy in healthcare.

The company's President/CEO and CFO participate regularly in the Board meetings. Other senior executives participate in the Board meetings as necessary. The company's auditor participated in the February Board meeting, when the year-end bulletin was approved. Eddie Juhlin, Member of the Swedish Bar Association, from Fredersen Advokatbyrå, was secretary at five Board meetings during the year.

Audit Committee

Risks concerning CellaVision's financial reporting are monitored and evaluated by the Board's Audit Committee, whose main task is to support the Board in quality assurance of the financial reporting. The Audit Committee has no decision-making authority, it prepares and reports matters to the Board as a whole.

The Audit Committee consists of three members who are all independent in relation to the company and its management: Lars Gatenbeck, Lars Henriksson and Sven-Åke Henningsson, who chairs the Committee. Lars Gatenbeck and Sven-Åke Henningsson are also independent in relation to the company's major shareholders. During the year the Committee met twice. Questions dealt with were mainly internal control in the subsidiaries, audit planning and governance and follow-up of operations. The company's auditor and CFO participate regularly at the Audit Committee meetings.

Attendance and remuneration to the Board in 2011

Name	Independence to the company	Independence to the company's major shareholders	Audit Committee	Remuneration Committee	Board fee, SEK thousands	Committee fee, SEK thousands	Total, SEK thousands	Attendance at Board meetings
Lars Gatenbeck	Yes	Yes	•	•	300	-	300	100
Christer Fåhraeus	Yes	No		•	100	20	120	80
Sven-Åke Henningsson	Yes	Yes	•		100	20	120	100
Lars Henriksson*	Yes	No	•		100	20	120	100
Roger Johanson*	Yes	Yes			100	-	100	100
Torbjörn Kronander	Yes	Yes		•	100	20	120	90
Anna Malm Bernsten	Yes	Yes			100	-	100	100
Total					900	80	980	

• Chairman • Member of the board
* Elected at the 2011 Annual General Meeting.
A more detailed presentation of the members of the Board can be found on page 56 and on the company website, www.cellavision.se.

Remuneration Committee

The Board of Directors also has a Remuneration Committee, whose main task is to propose principles for remuneration and other conditions of employment for the President/CEO and other senior management in the Group. Ahead of each Annual General Meeting the Committee submits its proposals, in accordance with Chapter 8, Section 51 of the Swedish Companies Act.

In 2011 the Remuneration Committee consisted of members of the Board Lars Gatenbeck, Christer Fåhraeus and Torbjörn Kronander, who are all independent of the company and the company management. Lars Gatenbeck and Torbjörn Kronander are also independent in relation to the company's major shareholders. Lars Gatenbeck chairs the Committee. In 2011 the Committee met twice and had several contacts by telephone. In addition to guidelines and principles of remuneration to the President/CEO and other senior management during the year the Committee discussed and dealt with an incentive program for other staff.

President/CEO and Executive Group Management

The President/CEO is appointed by and receives instructions from the Board of Directors. CellaVision's President/CEO Yvonne Mårtensson is responsible for the day-to-day management of the company in accordance with the Board's guidelines and directions. The current Instruction to the President/CEO was adopted by the Board on April 26, 2011.

The President/CEO prepares information and decision-making data for the Board meetings and is presenter at the meetings. The Board of Directors continuously evaluates the work of the President/CEO through monitoring against goals set.

Once a year a formal evaluation is made, which is discussed with the President/CEO.

The President/CEO has appointed a management team to be responsible for various parts of CellaVision's business. All the members of the Executive Group Management are at the company's head office in Lund, Sweden. The Executive Group Management holds minuted meetings at which operative issues are discussed. The Executive Group Management draws up a business plan annually, which is adopted by the Board.
In 2011 the Executive Group Management consisted of four people besides the President/CEO:

- Chief Financial Officer
- Marketing Manager
- Chief Operating Officer (COO)
- Quality Assurance Manager

A more detailed presentation of the President/CEO and the management team can be found on page 57.

Auditors

The administration of the Board of Directors and the President/CEO and financial reporting is examined by the external auditor elected by the Annual General Meeting.

The auditor is proposed by the Nomination Committee and elected by the Meeting for four years. At the Annual General Meeting in 2008 Deloitte AB was elected as the company's auditor up to and including the 2012 Annual General Meeting. The auditor in charge is authorized public accountant Per-Arne Pettersson, who has been auditor in charge of CellaVision since 2000. The task of the auditor is to examine CellaVision's annual accounts and bookkeeping, as well as the administration by the Board of Directors and President/CEO on behalf of the shareholders. Besides the annual audit, the auditor reviews at least one interim report per year. Remuneration to the auditor is payable in accordance with the approved invoice. For amounts please see Note 7.

Remuneration

Salaries, remuneration and other benefits to the Board of Directors, President/CEO and other senior management are reported in Note 6.4 in the annual report. Remuneration to the Board of Directors can also be followed in the table on page 29 of this corporate governance report.

Guidelines for remuneration to senior management in 2011

The AGM 2011 resolved to approve the Board's proposed guidelines for remuneration to senior executives in CellaVision as follows:

The company is to offer commercially based total remuneration that enables the recruitment and retention of senior management. The remuneration to company management is to consist of fixed salary, variable remuneration and pension. Fixed salary plus variable salary together constitute the individual's target salary. Altogether the above components constitute the individual's total remuneration.

The fixed salary is to take account of the individual's areas of responsibility and experience and be reviewed annually. The distribution between the fixed salary and variable remuneration must be in proportion to the responsibility and authority of the person holding the position. The variable remuneration must always be subject to predetermined limits and be linked to predetermined and measurable performance criteria. The variable remuneration to the President/CEO must be based on individual goals established by the Board. Such goals may for example be linked to performance, sales and/or cash flow. For other senior management the variable remuneration must be based on individual goals and/or the outcome in the individual's relevant area of responsibility.

Apart from the variable remuneration described above, the Board must review annually whether a share or share-price related incentive program should be proposed to the General Meeting or not.

Pension conditions must be commercial in relation to market conditions applicable to others holding equivalent positions and must be based on defined contribution plan solutions. The retirement age is to be 65 years. Severance pay for a member of the management can be payable in an amount equivalent to a

maximum of 12 months' salary. No separate board fee is payable to a member of management holding a position as member or alternate in a group company board of directors.

The Board of Directors may deviate from these guidelines if there are special grounds for this in an individual case.

Incentive program for senior management

The Annual General Meeting held on April 26, 2011 approved the Board of Director's proposed share price-related incentive program for company management to run for the period 2011-2015. Those eligible are the CEO and members of the management team.

The program means that the company, provided profitability and sales targets set at the start of the year have been achieved, will set aside 2 monthly salaries for the CEO and 1.5 monthly salaries for other senior management participating in the incentive program in 2011 and 2012. The outcome depends on a comparison between the company's average share price and the NASDAQ OMX Stockholm general index for Q4 2010 compared with Q4 2013 and Q4 2011 compared with Q4 2014, in which the company's average share price must have exceeded the general index by at least 30 per cent in Q4 2013 compared with Q4 2010 and by at least 30 per cent in Q4 2014 compared with Q4 2011 in order to generate any right to remuneration. Any payment will be made in 2014 and 2015.

A minimum increase of 30 per cent in the share price in a period of comparison as above results in a bonus equivalent to 2 monthly salaries for the CEO and equivalent to 1.5 monthly salaries for other senior management. An increase of at least 50 per cent will result in a bonus of 3 monthly salaries for the CEO and 2 monthly salaries for other senior management. The outcome of the incentive program in 2014 and 2015 is maximized to an amount per year equivalent to 4 monthly salaries for the CEO and an amount per year equivalent to 3 monthly salaries for other senior management participating in the incentive program. The maximum amount will be payable if the increase in the share price for the period in question is at least 100 per cent.

In order to participate in the incentive program for the periods 2011/2013 and 2012/2014, the member of senior management must have been employed for six months on December 31, 2011 and December 31, 2012 respectively and his/her employment contract on the same date must not be under notice of termination.

The Board of Directors determines the profitability and sales targets applicable to the program, the individual members of senior management in the group CEO and management team who are eligible to participate in the program, and decide whether the conditions that confer the right to payment of bonus under the incentive program for an individual member of senior management have been met.

It is estimated that for the maximum outcome, the cost to the company will be about SEK 450,000 (excluding social security contributions) per year and program for the duration of the respective program. The calculation is based on the participation of six members of senior management in the program.

Incentive program for staff

The Board of Directors has decided on an equity-related staff incentive program to run from 2011-2013. Eligible staff are those who are not senior management and who consequently are not eligible for the incentive program for senior management resolved by the 2011 Annual General Meeting.

The decision means that the employee is credited with between 0.1-1.5 of monthly salary ("Participation Unit") in 2011. The size of the Participation Unit depends on the company's performance and sales in 2011. The outcome of the bonus then depends on a comparison between the company's average share price and the NASDAQ OMX Stockholm general index for Q4 2010 compared with Q4 2013, in which the company's average share price must have exceeded the general index by at least 30 per cent in Q4 2013 compared with Q4 2010 to qualify for the right to a bonus. Any payment will be made in 2014.

A minimum increase of 30 per cent in the share price in a period of comparison as above entails a bonus equivalent to 1 Participation Unit. An increase of at least 50 per cent entails a bonus of 1.5 Participation Units. The outcome of the incentive program is maximized to 2 Participation Units. The maximum amount will be payable if the increase in the share price for the period in question is at least 100 per cent.

To take part in the incentive program the employee must have been employed for at least six months on December 31, 2011. If the employee has been employed for less than 36 months on the date of pay-ment, the bonus will be reduced by 1/36 for each month the period of employment falls short of 36.

It is estimated that for the maximum outcome the cost to the company will be about SEK 6 million over three years (excluding social security contributions).

Proposed guidelines for remuneration to senior management in 2012

The company is to offer commercially based total remuneration that enables the recruitment and retention of senior management. The remuneration to company management is to consist of fixed salary, variable remuneration and pension. Fixed salary plus variable salary together constitute the individual's target salary. Altogether the above components constitute the individual's total remuneration.

The fixed salary is to take account of the individual's areas of responsibility and experience and be reviewed annually. The distribution between the fixed salary and variable remuneration must be in proportion to the responsibility and authority of the person holding the position. The variable remuneration must always be subject to predetermined limits and be linked to predetermined and measurable performance criteria. The variable remuneration to the President/CEO must be based on individual goals established by the Board. Such goals may for example be linked to performance, sales and/or cash flow. For other senior management the variable remuneration must be based on individual goals and/or the outcome in the individual's relevant area of responsibility.

The 2011 Annual General Meeting resolved on a share-price related incentive program for company management vesting in 2011 and 2012. Ahead of the 2013 Annual General Meeting the Board of Directors will consider whether a share or share-price related incentive program for senior management is to be proposed to the general meeting or not.

Pension conditions must be commercial in relation to market conditions applicable to others holding equivalent positions and must be based on defined contribution plan solutions. The retirement age is to be 65 years. Severance pay for a member of the management can be payable in an amount equivalent to a maximum of 12 months' salary. No separate board fee is payable to a member of management holding a position as member or alternate in a group company board of directors.

The Board of Directors may deviate from these guidelines if there are special grounds for this in an individual case.

The Board's report on internal controls and risk management referring to financial reporting

This report on internal controls referring to financial reporting is submitted by the Board of CellaVision and has been drawn up in accordance with the Swedish Code of Corporate Governance.

Background

According to the Companies Act and the Swedish Code of Corporate Governance the Board is responsible for internal controls.

Control environment

The basis of internal controls is the overall control environment. A good control environment builds on an organization with clear decision lines where responsibility and authority is clearly defined. In CellaVision there are policies, guidelines and process descriptions for the different parts of the business flow from transaction management to bookkeeping and preparing external reports. In the company's financial and accounting manual, Administrative Guidelines, which is updated annually, these process descriptions are presented in all essentials.

Risk assessment

The Board and Audit Committee are responsible for identifying and managing all material financial risks and risks of errors in the external reporting. The Audit Committee evaluates the risk management requirements annually and draws up written principles both for overall risk management and for specific areas, such as currency risk, interest rate risk, credit risk and investment of surplus liquidity. These principles are then adopted by the Board.

Control activities

The main purpose of control activities is to prevent and discover errors as soon as possible in order to rectify any deficiencies. Procedures and activities have been designed to discover and deal with the most material risks related to financial reporting. Group companies are followed up by the CEO and CFO through regular reports and personal meetings with the management of the respective subsidiary. The Board receives monthly reports in which the CEO and CFO give an account of the past period regarding the Group's and each respective business area's results and financial position. The work on monthly closings and annual accounts is well-defined and reporting is in accordance with standardized reporting templates including comments regarding all material income and balance sheet items.

There are CFOs and controllers with functional responsibility for accounting, reporting and analysis at both parent company and subsidiaries. In this way the company's financial reports are checked several times, which reduces the risk of error. At present neither the size of the company nor its risk exposure warrant a separate internal audit function. The Board assesses that with the procedures in place for follow-up and control there is currently no necessity for this.

Information and communication

CellaVision's procedures and systems for provision of information are aimed at supplying the market with relevant, reliable, correct and current information about the company's development and financial position. The Board has adopted an information policy that specifies what is to be communicated, by whom and in what way the information is to be published to ensure that external information is correct and complete. Financial information is published regularly in the form of interim reports, annual report and press releases on price-sensitive news. The material is published in Swedish and English on the company's website.

Follow-up

Compliance and effectiveness of internal controls are followed up regularly. The company's financial situation and strategy regarding its financial position is dealt with at each Board meeting, when the Board receives detailed monthly reports regarding the financial position and development of operations. Each interim report is analyzed by the Audit Committee, discussed with the CFO and then approved by the Board before publication.

Financial information

Consolidated Statement of comprehensive income, Group

SEK thousands	Note	2011	2010
	1		
Net sales	4	155,402	131,638
Cost of goods sold	9	-53,991	-44,082
Gross profit		**101,411**	**87,556**
Selling expenses		-35,281	-33,637
Administrative expenses		-27,013	-23,046
Research and development expenditure		-21,407	-17,336
Other operating income		90	411
Operating profit/loss	6,7,8,9,12,13	**17,800**	**13,948**
PROFIT/LOSS FROM FINANCIAL ITEMS			
Interest income	10	1,113	1
Interest expense	10	-399	-3,225
Profit/loss before tax		**18,514**	**10,724**
Tax on profit for the year	11	-3,881	27,625
Net profit for the year		**14,633**	**38,349**
Other comprehensive income:			
a) Cash flow hedges			
Reclassified to operating profit		-1,947	-1,434
Revaluation of financial assets		-99	1,947
Tax effect on cash flow hedges		538	-135
b) Translation differences			
Exchange rate differences on translation of subsidiaries		-480	-104
Total other comprehensive income		-1,988	274
Total comprehensive income for the year		**12,645**	**38,623**
Of which attributable to the parent company's shareholders		12,645	38,623
Earnings per share (SEK)		0.61	1.61
Earnings per share after dilution (SEK)		0.61	1.61
Number of shares in issue (thousands)		23,852	23,852
Average number of shares in issue (thousands)		23,852	23,852

Consolidated statement of financial position, Group

SEK thousands	Note	2011	2010
ASSETS	1		
Non-current assets			
Capitalised expenditure for development	4,12	21,329	22,269
Equipment	4,13	2,015	1,592
Deferred tax assets	11	49,304	53,184
Other non-current receivables	14	114	133
Total non-current assets		**72,762**	**77,178**
Current assets			
Inventories			
Finished goods and goods for resale		14,450	7,514
Total inventories		**14,450**	**7,514**
Current receivables			
Trade receivables	16	26,653	35,175
Other receivables		5,705	5,651
Accrued income and prepaid expenses	17	2,340	1,172
Total current receivables		**34,698**	**41,998**
Cash and cash equivalents		56,818	35,811
Total current assets		**105,966**	**85,323**
TOTAL ASSETS		**178,728**	**162,501**
EQUITY AND LIABILITIES	1		
Shareholders' equity			
Share capital	18	3,578	3,578
Other contributed capital		10,800	10,800
Reserves		418	2,406
Accumulated profit/loss including profit for the year		111,271	96,638
Total equity attributable to the parent company's shareholders		**126,067**	**113,422**
Current liabilities			
Current liabilities, non-interest-bearing		3,197	3,857
Liabilities to credit institutions, interest-bearing	19	15,719	20,835
Trade payables		16,549	11,140
Provisions	20	1,968	2,256
Accrued expenses and deferred income	21	15,228	10,991
Total current liabilities		**52,661**	**49,079**
TOTAL EQUITY AND LIABILITIES		**178,728**	**162,501**
Pledged assets	22	22,632	27,420
Contingent liabilities	22	None	None

Consolidated statement of cash flows, Group

SEK thousands	Note	2011	2010
Operating activities	1		
Profit/loss before tax		18,514	10,724
Paid tax		-	-
Adjustments for non-cash items	23	8,266	14,060
Cash flow from operating activities before changes in working capital		**26,780**	**24,784**
Change in inventories		-6,936	1,577
Change in operating receivables		7,495	-13,153
Change in operating liabilities		4,676	-1,750
Cash flow from changes in working capital		**5,235**	**-13,326**
Cash flow from operating activities		**32,015**	**11,458**
Investing activities			
Capitalisation of development expenditure		- 4,537	-4,572
Purchases of property, plant and equipment		-1,373	-159
Acquisition of non-current financial assets		19	-54
Cash flow from investing activities		**-5,891**	**-4,785**
Financing activities			
Loans repaid/raised		-5,117	7,174
Cash flow from financing activities		**- 5,117**	**7,174**
CASH FLOW FOR THE YEAR		**21,007**	**13,847**
Cash and cash equivalents (opening balance)		35,811	21,964
Cash and cash equivalents (closing balance)		56,818	35,811
Supplementary disclosures, cash flow statement			
Interest received during the year		92	1
Interest paid during the year		-395	-516

Consolidated statement of changes in equity, Group

SEK thousands, Note 1	Share capital	Other Contributed capital	Translation reserve	Fair value-reserve	Profit/loss brought forward	Total shareholders' equity
Opening amount, 2010	3,578	10,800	1,075	1,057	58,289	74,799
Net profit for the year	-	-	-	-	38,349	38,349
Other comprehensive income for the year			-104	378	-	274
Closing amount, 2010	**3,578**	**10,800**	**971**	**1,435**	**96,638**	**113,422**
Opening amount, 2011	3,578	10,800	971	1,435	96,638	113,422
Net profit for the year	-	-	-	-	14,633	14,633
Other comprehensive income for the year			-480	-1,508	-	-1,988
Closing amount, 2011	**3,578**	**10,800**	**491**	**-73**	**111,271**	**126,067**

Income statements, Parent company

SEK thousands	Note	2011	2010
	1		
Net sales	4,5	146,640	122,804
Cost of goods sold	9	-71,567	-53,391
Gross profit		**75,073**	**69,413**
Selling expenses		-11,276	-11,879
Administrative expenses		-27,014	-23,046
Research and development expenditure		-21,407	-17,336
Other operating income		90	411
Operating profit/loss	5,6,7,8,9,12,13	**15,466**	**17,563**
PROFIT/LOSS FROM FINANCIAL ITEMS			
Write-down of shares in subsidaries		-2,400	-
Interest income and other financial gains	10	1,103	1
Interest expenses and other financial losses	10	-360	-3,126
Profit/loss before tax		**13,809**	**14,438**
Tax on profit for the year	11	-4,224	27,723
Net profit for the year		**9,585**	**42,161**

Statement of Comprehensive Income, Parent company

SEK thousands	Note	2011	2010
Net profit for the year		**9,585**	**42,161**
Other comprehensive income:		-	-
Sum of other comprehensive income		0	0
Comprehensive result for the year		**9,585**	**42,161**

Balance sheets, Parent company

SEK thousands	Note	2011	2010
ASSETS	1		
Non-current assets			
Capitalised expenditure for development	12	21,329	22,269
Equipment	13	1,737	1,461
Shares in subsidiaries	15	9,852	704
Deferred tax assets	11	48,500	52,723
Total non-current assets		**81,418**	**77,157**
Current assets			
Inventories			
Finished goods and goods for resale		10,457	4,720
Total inventories		**10,457**	**4,720**
Current receivables			
Trade receivables	16	19,462	31,435
Receivables from group companies		16,499	31,890
Other receivables		5,525	4,147
Accrued income and prepaid expenses	17	1,735	922
Total current receivables		**43,221**	**68,394**
Cash and cash equivalents		48,919	33,123
Total current assets		**102,597**	**106,237**
TOTAL ASSETS		**184,015**	**183,394**
EQUITY AND LIABILITIES	1		
Shareholders' equity			
Restricted equity			
Share capital	18	3,578	3,578
Statutory reserve		10,780	10,780
Non-restricted equity			
Profit brought forward		112,877	70,715
Net profit for the year		9,585	42,161
Total shareholders' equity		**136,820**	**127,234**
Current liabilities			
Current liabilities, non-interest-bearing		2,790	3,474
Liabilities to credit institutions, interest-bearing	19	15,719	20,835
Trade payables		16,404	11,021
Liabilities to group companies		0	9,957
Provisions	20	1,968	2,256
Accrued expenses and deferred income	21	10,314	8,617
Total current liabilities		**47,195**	**56,160**
TOTAL EQUITY AND LIABILITIES		**184,015**	**183,394**
Pledged assets	22	22,632	27,420
Contingent liabilities	22	None	None

Cash flow statements, Parent company

SEK thousands	Note	2011	2010
Operating activities	1		
Profit/loss before tax		13,809	14,438
Paid tax		-	-
Adjustments for non-cash items	23	8,419	12,879
Cash flow from operating activities before changes in working capital		**22,228**	**27,317**
Change in inventories		-5,737	1,353
Change in operating receivables		26,928	-23,536
Change in operating liabilities		-5,258	8,275
Cash flow from changes in working capital		**15,933**	**-13,908**
Cash flow from operating activities		**38,161**	**13,409**
Investing activities			
Capitalisation of development expenditure		- 4,537	-4,572
Purchases of property, plant and equipment		-1,164	-140
Investment in subsidaries		-11,549	-
Cash flow from investing activities		**-17,250**	**-4,712**
Financing activities			
Loans repaid/raised		-5,116	7,147
Cash flow from financing activities		**-5,116**	**7,174**
CASH FLOW FOR THE YEAR		**15,795**	**15,871**
Cash and cash equivalents (opening balance)		33,123	17,252
Cash and cash equivalents (closing balance)		48,919	33,123
Supplementary disclosures, cash flow statement			
Interest received during the year		83	1
Interest paid during the year		-358	-418

Statements of change in equity, Parent company

SEK thousands, Note 1	Share capital	Statutatory reserve	Profit/loss brought forward	Total shareholders' equity
Opening amount, 2010	3,578	10,780	70,715	85,073
Comprehensive result for the year	-	-	42,161	42,161
Closing amount, 2010	**3,578**	**10,780**	**112,877**	**127,234**
Opening amount, 2011	3,578	10,780	112,877	127,235
Comprehensive result for the year	-	-	9,585	9,585
Closing amount, 2011	**3,578**	**10,780**	**122,462**	**136,820**

Notes

Note 1. General information, accounting policies and valuation principles

ACCOUNTING POLICIES

General

Cellavision AB's consolidated accounts were prepared in accordance with the Annual Accounts Act (ÅRL), International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations from the IFRS Interpretations Committee approved for use within the EU. The Swedish Financial Reporting Board recommendation RFR 1 "Supplementary accounting rules for groups" has also been applied. The parent company annual accounts were prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2.2 "Accounting for legal entities". The consolidated and annual accounts are stated in SEK thousands and refer to the period 1 January-31 December for income statement-related items and 31 December for balance sheet related items. Assets and liabilities are recorded in accordance with the historical cost method with the exception of certain financial assets recorded at fair value through profit or loss.

New and amended standards and interpretations in 2011

New and amended standards and improvements have had no impact on the Group's financial reports 2011. A number of new interpretations and amendments have been issued from IFRIC. These interpretations and amendments have had no impact on the Group's financial report 2011.

New and amended standards and interpretations not yet in force

The International Accounting Standards Board (IASB) has issued a number of new and amended standards which have not yet come into force. None of these have been applied in advance. The company management considers that new and amended standards and interpretations will not have any material impact on the Group's financial reporting in the period they are applied for the first time.

However essential parts of IFRS 9 Financial instruments, which replaces IAS 39, are determined, but will be effective no earlier than 2015. The impact that this could bring on the financial reporting is therefore not yet fully known.

GROUP ACCOUNTING POLICIES

Consolidated accounts

CellaVision AB is a Swedish public limited liability company with its registered office at Ideon Science Park in Lund. The consolidated accounts include the parent company CellaVision AB and the wholly owned subsidiaries CellaVision Inc., USA, CellaVision Canada Inc., CellaVision Japan K.K. and CellaVision International AB. The consolidated accounts were prepared in accordance with the acquisition accounting method. This means that consolidated subsidiaries' identifiable assets, liabilities and contingent liabilities are recognised at fair value at the time of acquisition. If the cost of acquisition exceeds net assets recorded as above, the difference constitutes goodwill. Internal invoicing and internal financial dealings within the Group are eliminated in the consolidated accounts

Translation of foreign operations

The functional currency is determined for each foreign operation. The foreign subsidiaries which have a functional currency different from CellaVision's functional currency, which is Swedish kronor, are translated at the closing day rate for all balance sheet items and at the average rate for income statement items. The translation differences thereby arising are an effect partly of the net profit/loss being translated at different rates in the income statement and balance sheet respectively, and partly of the net assets being translated at a different rate at the end of the year than at the beginning of the year. Translation differences are reported in "Other comprehensive income". For other exchange rate differences please see under the heading "Exchange rate gains and losses".

Revenue recognition

For sales of instruments and/or software the revenue includes both the instrument and/or the software, and the possible right to future software updates. The entire revenue referring to the system, instrument plus updates, is recognised when the significant risks and rewards associated with the instrument are transferred to the customer, which normally coincides with delivery to the customer. For services to end consumers the revenue constitutes payment for servicing the instrument. This revenue is accrued over the period of the service agreement. This may refer to one occasion or run for a longer period of time. For software upgrades (new functions, technology or applications) to end consumers the revenue constitutes payment for software upgrades upgrades and is recognized at the time of delivery or distribution of a license key.

Expenditure on research and development

Research expenditure is expensed as it is incurred. Expenditure for development of future products is expensed up to and including the prototype stage. Expenditure thereafter and until commercialisation is capitalised, to the extent it is probable that the product will be commercially viable. Expenditure for developing already existing applications and hardware platforms is expensed as it arises. In order to handle this effectively, the company applies a project accounting system in which all research and development expenditure is allocated to projects. Examples of such expenditure are:

- Goods and materials
- Consultant fees for conception and design
- Salaries and payroll overheads

Depreciation on equipment and computer equipment is not capitalised. As of the 2009 financial year borrowing costs for qualified assets for newly started projecgts are also capitalised. Since the company did not incur any borrowing costs no such costs have been capitalized.

Exchange rate gains and losses
Realised and unrealised exchange rate differences attributable to operating costs and transactions are reported among other operating income or expenses. Exchange rate differences referring to short-term and long-term financial transactions are recorded as financial items.

Hedge accounting
CellaVision applies hedge accounting in accordance with IAS 39. For the cash flow terms that meet the criteria for hedge accounting, the value change in fair value reserve is accounted for in other comprehensive income.

Intangible assets
Intangible assets consist of capitalised expenditure for development and are recorded at cost of acquisition less accumulated amortisation.An amortisation plan, for capitalised development expenditure, based on a useful life of five years is started on market introduction of developed products.

Property, plant and equipment
Property, plant and equipment, consisting of instruments, equipment and computer equipment, is reported at cost of acquisition less accumulated depreciation.

Depreciation/amortisation according to plan
Depreciation/amortisation according to plan is based on the historical cost and estimated useful life of the assets. Depreciation/amortisation according to plan:

- Development projects 5 years
- Instruments 5 years
- Equipment 5 years
- Computer equipment 3 years

Leases
A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset from the lessor to the lessee. Leases that are not finance leases are classified as operating leases. Assets held under a finance lease are recognised at the beginning of the lease term at their fair value or, if lower, at the present value of the minimum lease payments. The liability of the lessee in relation to the lessor is recognised in the balance sheet. Lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to periods over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. The operating leases refer mainly to premises, vehicles, computers and some office equipment.

Receivables and liabilities
Receivables are recorded in the amounts at which they are expected to be received. Liabilities are recorded at nominal amounts. Receivables and liabilities in foreign currency have been translated at the closing day rate, at which time unrealised exchange rate effects are recognised in revenue. To the extent an external customer contract exists (as regards the parent company's sales to Group companies) all customer invoices in the parent company are covered by invoice factoring. These are reported as trade receivables (in the parent company also intragroup receivables). The loans received by the company in the respective invoicing currency are reported as liabilities translated at the closing day rate. These invoices have been provided as loan collateral and are reported under pledged assets.

Inventories
Inventories are recorded at the lower of cost according to the first-in, first-out method (FIFO) and net realisable value (lower of cost or market). The inventories contain finished products and input components for additional instruments. Material costs have been expensed during the year as Cost of goods sold in the amount of SEK 47.9 million.

Cash flow statement
The cash flow statement is prepared in accordance with the indirect method. Cash and bank balances are counted as cash and cash equivalents.

Pensions
All employees of the Parent Company are covered by the ITP plan administered by Alecta, apart from staff employed before 1 May 1999. These employees are covered by "alternative ITP", where the employees themselves may choose the insurer. These have the same amounts at their disposal as though they had been part of the ITP plan. Employees with an income in excess of 10 price base amounts are offered "tenfold earners" solutions. This means that they can choose the insurer for a part of the ITP contribution. Both these solutions are classified and reported as defined contribution plans. The ITP plan administered by Alecta is a defined benefit pension plan. However, in accordance with a statement by the Swedish Financial Reporting Board (UFR 3), this plan is reported as a defined contribution plan as Alecta cannot produce sufficient information for reporting it as a defined benefit plan. The Group's American employees are covered by a 410K plan, which is a defined contribution plan. All pension commitments have been taken over by insurance companies and thus all pension plans are reported as defined contribution plans and pension premiums are recognised as expenses in the period in which the employees render the related services.

Share-price related remuneration
The Group has a share-price related incentive program in which settlement will be in cash. The outcome of the program is dependent on a comparisoin between the company's share price and the NASDAQ OMX general index over the duration of the program. Any remuneration will be paid in the year after the program expires. At the close of each reporting period the company will review the fair value of the liability. A change in the liability equivalent to the earnings at the close of each reporting period will be reported in the income statement. The following programs have been approved and refer to:

Duration	Refers to
2010-2012	Executive Group Management
2011-2013	Executive Group Management and other Swedish personnel
2012-2014	Executive Group Management and other personnel

Classification of assets and liabilities

Non-current assets and liabilities consist in all essentials only of amounts expected to be recovered or paid more than twelve months after the balance sheet date. Current assets and liabilities consist in all essentials only of amounts expected to be recovered or paid within twelve months of the balance sheet date.

Provisions

A provision is reported when an obligation exists as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate can be made of the amount. Warranty provisions are made for products sold. The warranty period is one year. Warranty costs are reported under "Cost of goods sold".

Income taxes

Income tax recognised in revenue includes tax to be paid or received for the current year, adjustments of previous years' current tax and changes in deferred tax. The valuation of all tax liabilities/assets is at nominal amounts and is done in accordance with the tax regulations and tax rates that have been adopted. Deferred tax is estimated in accordance with the balance sheet method on all temporary differences existing between the reported and tax base values for assets and liabilities. Deferred tax assets referring to loss carry forwards or other future tax-related deductions are only reported to the extent that it is probable that they can be applied in the future.

Impairment of non-financial assets

If within the group there is an indication that the value of an asset is impaired, its recoverable amount is determined. The recoverable amount is defined as the higher of an asset's net realisable value and value in use. When establishing value in use, a calculation is made of the present value of expected future cash flows from the asset during its useful life. An impairment loss is recognised in the income statement when the carrying amount in the consolidated accounts exceeds the recoverable amount.

Financial instruments

The Group's financial instruments mainly comprise trade receivables, cash and cash equivalents, trade payables and financial derivatives in the form of currency forwards.

Trade receivables

Trade receivables are reported net of any doubtful receivables. These deductions are based on individual assessment of trade receivables taking into account expected bad debt losses. Historically the Group has had very few bad debt losses as its customers are established hematology companies and distributors with good credit status and in the Nordic area the customers are publicly financed hospitals

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank. A current investment is classified as a cash equivalent if it can easily be cashed for a known amount and if it is only exposed to an insignificant risk of value fluctuation.

Trade payables

Trade payables are recorded at the value the company intends to pay the supplier to settle the debt.

Currency forwards and hedge accounting

The Group uses currency forwards to hedge forecast inflows in foreign currency. These inflows have been 50–75 % hedged for 2011. Forward cover refers mainly to EUR and USD. Outstanding cash flow hedges as at 31 December are recorded at fair value in "Other comprehensive income".

Operating segments

An operating segment is a part of an entity that conducts business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker, and for which discrete financial information is available. The entity's operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the function, who is assessing the performance of the operating segments and allocating resources. The entity's assessment is that the group executive board is the chief operating decision-maker. CellaVision's business operations comprise one operating segment; automated microscopy systems in the field of hematology, and refers to the income statement and balance sheet for reporting of operating segments.

Related paty transactions

In 2011 CellaVision had transactions with member of the board Anna Malm Bernsten and Niels Freiesleben, who was a member of the board until the 2011 Annual General meeting, both of whom assisted as advisors on a consultancy basis. The transactions are priced on market terms and have not had any material impact on the company's financial position and performance. The transactions amounted to SEK 50 thousand and SEK 550 thousand respectively. No other related party transactions have taken place with any legal or natural person, see note 6.

IMPORTANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Preparation of reports and application of various accounting policies are often based on the management's judgements or on assumptions and estimates considered to be reasonable under the circumstances. These assumptions and estimates are usually based on experience but also on other factors, including expectations of future events. The following two areas are worth noting for CellaVision.

Capitalised development expenditure
The recoverable amount for capitalised development expenditure is determined on the basis of estimated economic life and volume. This calculation is based on estimated future cash flows using financial forecasts approved by the management and covering product life cycles.

Tax loss carry forwards
The part of CellaVision's deferred tax asset referring to tax loss carry forwards that has been recognised as a financial asset during the year corresponds to the management's assessment of what can be utilised with reference to financial forecasts.

Parent company's accounting policies
For a more detailed description of accounting policies, please refer to the section above "Group Accounting Policies". Only divergences in the parent company's policies compared with those of the Group are described below.

Valuation of cash flow hedges
In the parent company cash flow hedges are accounted off-balance and thus not included at fair value.

Investments in subsidiaries
Investments in subsidiaries are recorded on the basis of cost of acquisition.

Note 2 Capital structure

CellaVision defines the managed assets as the sum of the Group's net debt and equity. At the end of 2011 the managed assets were 84,968 thousand (98,446).

The Group's objectives regarding the capital structure are to secure the Group's ability to continue operations to generate returns for shareholders and benefits to other stakeholders and that the capital structure is optimal considering the cost of capital. When managing the capital, the Group follows up on metrics such as sales growth and operating margin. The objective is to increase sales by an average of 15 per cent per year with an operating margin exceeding 15 per cent over a business cycle. In 2011 CellaVision achieved a sales growth of 18 per cent (20.7) and the operating margin was 11.5 per cent (10.6).

To maintain a good capital structure the Group can, for example, raise new loans or amortise the existing loans, adjust the level of dividends paid to shareholders, repay capital to shareholders, buy back shares, issuing new shares or sell assets.

Note 3 Risks

FINANCIAL RISK FACTORS
Through its operations, the Group is exposed to various financial risks such as market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management policy is to aim for minimum unfavourable impact on financial result and position.

MARKET RISK
Interest rate risk
Interest rate risk is the risk that the value of financial instruments will vary due to changes in market interest rates. The Group's financial assets consist of deposits. The assets' value is so insignificant that a very low risk is considered to exist. The Group's interest-bearing financial liabilities refer to liabilities to credit institutions. The major part of this liability refers to the invoice factoring used by the Group. All liabilities have a floating rate. Calculated on the basis of financial interest-bearing liabilities as at 31 December 2011, a change of one percentage point in the market rate would affect the Group's earnings by SEK 157 thousand (208). The corresponding figure for the parent company is SEK 157 thousand (208).

Currency risk
The Group operates internationally and is exposed to currency risk from various currency exposures, mainly in USD and EUR. The company's purchases are in SEK. Sales are predominantly in USD and EUR. The currency risk arises through future business transactions, reported assets and liabilities and net investments in foreign operations. At present the net exposure in each respective currency is limited, as the Group uses currency forwards to hedge contracted inflows of foreign currency. Calculated on the basis of the Group's currency mix in its sales, a change of ten percentage points in the currencies would have an impact of SEK 10 million (5) on the Group's earnings.

Price risk
The Group is not exposed to any price risk referring to shares classified as financial instruments at fair value through profit or loss or financial assets available for sale.

Credit risk
Credit risk is the risk that a party to a transaction with a financial instrument cannot fulfil its obligations. The maximum exposure for credit risks referring to financial assets as at 31 December 2011 was SEK 26,653 thousand (35,175). However, at present the existing provision is deemed to be sufficient, see note 16. In other respects there is no significant concentration of credit risk, geographically or in relation to any particular customer segment. The percentage of receivables more than 121 days overdue was less than 1 % of total trade receivables as at the balance sheet date, see note 16. There are no other financial assets due for payment.

Liquidity risk
Prudence in management of liquidity risk entails holding sufficient liquid assets and realisable securities or agreed lines of credit to be able to fulfil obligations. At present the liquidity risk is deemed to be reasonably low, mainly due to the Group's liquidity.

Fair value
The carrying amount corresponds to fair value for all of the Group's and parent company's financial assets and liabilities. The financial resources of the Group and parent company all belongs

Financial assets	2011		2010	
	Group	Parent company	Group	Parent company
Non-current receivables	114	-	133	-
Trade receivables	26,653	35,961	35,175	63,325
Other receivables	5,705	5,525	4,216	4,147
Cash and cash equivalents	56,818	48,919	35,811	33,123
Derivatives	-	-	1,435	-
Total	**89,290**	**9,405**	**76,770**	**100,595**

Financial liabilities	2011		2010	
	Group	Parent company	Group	Parent company
Liabilities to credit institutions	15,719	15,719	20,835	20,835
Trade payables	16,549	16,405	11,140	11,021
Derivatives	73	-	-	-
Other liabilities	3,197	2,790	3 ,857	3,474
Total	**35,538**	**34,914**	**35,832**	**35,330**

Apart from fair value measurement of derivatives, other financial instruments have not had any impact on income.

to category trade receivables and loans receivable and derivatives. In the parent company derivatives are not included in the balance sheet and are thus not measured at fair value. The financial liabilities in the consolidated and parent company belongs to the category Other financial liabilities and derivatives. Derivatives are measured at fair value in the consolidated statement of comprehensive income for minus SEK 73 thousand (1,435) and reported as other assets by a corresponding amount under the "Short term receivables" in the consolidated statement of financial position.

OPERATIONAL RISK FACTORS

Distributors

CellaVision's strategy is to establish strategic alliances with global players in medical technology. CellaVision operates through distributors in markets outside the Nordic countries and Canada. This means that CellaVision's future expansion depends on successful distributors. The company mainly distributes its products via Sysmex and Beckman Coulter, global partners in laboratory equipment. The company is dependent on Sysmex' and Beckman Coulter's successes in the field of hematology, where CellaVision's products are marketed. Despite the fact that CellaVision has well-functioning and extensive contractual relationships with its distributors, these partnerships can be terminated. There is no guarantee that the distributor will sign a new agreement with CellaVision. Discontinued cooperation with a major distributor like Sysmex or Beckman Coulter's would have a negative impact on CellaVision's sales and earnings.

Suppliers

The company's strategy is to enter into strategic partnerships, in which the partners handle the manufacturing of the products. This means that CellaVision will be dependent on a number of suppliers of key components such as cameras, microscopes and control equipment as well as companies that manage the assembly and final inspection of the systems. CellaVision's future supply of products is dependent on subcontractors who can manufacture the company's products. The company has long-term cooperation and contracts with its most important subcontractors. Despite this, contracts can be terminated. There is no guarantee that the suppliers will subsequently decide to sign a new agreement with the company. Suspension of deliveries due to terminated contracts or discontinued cooperation with a subcontractor may have a negative impact on CellaVision's sales and earnings.

Dependence on key personnel

CellaVision has a distinct high-tech specialisation and is therefore dependent on being able to recruit and retain highly-qualified employees.

Cost savings in health care

For economic and political reasons, measures are being taken to reduce costs in the health care sector in Western Europe and the US, for example. Ongoing changes and rationalisation, despite CellaVision's efforts at developing cost-effective solutions, may have a negative impact on the company's future sales and earnings.

Product development

Continued development of existing and new products and solutions is of great importance to CellaVision. If the company's ability to develop products ceases, or if products cannot be introduced in accordance with established schedules, or if the market

reception is worse than expected, this may result in a negative impact on CellaVision's sales and earnings.

Competition
There is a risk that new competitors with a greater resource base in terms of skills and capital may establish themselves in CellaVision's market and offer better methods and more effective products than CellaVision. In order to counteract this, the company constantly monitors competition.

Product liability
Testing, marketing and selling medical devices and solutions entails a risk of claims for damages and there is no guarantee that claims for compensation linked to product liability will not be made against CellaVision. The company has extensive insurance coverage for such claims.

Patents and rights
CellaVision conducts an active patent strategy to protect investments in core technology by applying for patents for new inventions. Most of the company's patents are in the technology fields of image processing and precision mechanics. During the year a national application has been submitted in the USA for an invention in the technology area of automatic focusing. CellaVision cannot guarantee that patent applications will lead to a patent or that our patents will not be called into question, declared invalid or circumvented. A third party may in future maintain that CellaVision is infringing their intellectual property rights. Legal disputes may be costly, time-consuming and take up CellaVision's strength in defending itself against such claims.

At the close of 2011 the company had a patent portfolio containing a total of 18 patented inventions, which have generated 34 patents to date. The earliest patent expires in 2016 and the latest in 2026.

However, it cannot be guaranteed that current or future patent applications will lead to patents or that approved patents will offer sufficient protection against competitors. In addition, there is always a risk that disputes referring to patent infringement and other intellectual property rights may be started against or by CellaVision.

Legislation and regulatory framework
Manufacture, marketing and distribution of medical devices and equipment takes place on a regulated market where such bodies as the FDA (US Food and Drug Administration) and the EU have rules for clinical evaluation, approval and quality testing. CellaVision meets the current requirements in Europe and has FDA approval for CellaVision DM, DiffMaster and MICRO21. If CellaVision's operations were to be subject to restrictions by government agencies or if the company did not receive necessary future official approval, it could have a negative impact on CellaVision commercially and financially.

Note 4 Information by geographical area

CellaVision's operations comprise only one segment; automated microscopy systems in the field of hematology, and therefore reference is made to the income statement and balance sheet regarding segment reporting. See note 1.

4.1 Income by geographical area

Group	2011	2010
Sweden[1]	1,977	7,413
Europe	47,890	45,528
North America	94,810	65,654
Rest of the world	10,725	13,043
Total[2]	**155,402**	**131,638**

Parent company	2011	2010
Sweden[1]	1,977	7,413
Europe	47,881	47,092
North America	86,067	57,320
Rest of the world	10,715	10,979
Total[3]	**146,640**	**122,804**

1) Of which 45 (60) is rental income.
2) Of which 151,069 (129,448) refers to system sales (hardware and software) and 4,333 (2,190) refers to sales of services.
3) Of which 145,399 (121, 651) refers to system sales (hardware and software) and 1,241 (1,153) refers to sales of services.

4.2 Intagible and tangible assets by geographical area

Group	2011	2010
Sweden	32,918	24,435
North America	273	158
Rest of the world	119	105
Group eliminations	- 9,852	-704
Total	**23,458**	**23,994**

Note 5 Intra-Group transactions

SEK 14,372 thousand (14,803) of the parent company's invoicing refers to subsidiaries.

Invoicing from subsidiaries to the parent company amounted to SEK 16,345 thousand (10,078).

Note 6 Staff

6.1 Employees

	2011		2010	
Average number of employees	Number employees	Of whom men	Number employees	Of whom men
Parent company, Sweden	47	27	42	28
Subsidiaries, USA	7	5	8	5
Subsidiaries, Canada	2	1	2	1
Subsidiaries, Japan	3	2	2	2
Total	**59**	**35**	**54**	**36**

	2011		2010	
Number of women in senior management:	Board of Directors	Other positions	Board of Directors	Other positions
Parent company	1	1	1	2
Subsidiaries	-	-	-	-
Total	**1**	**1**	**1**	**2**

6.2 Salaries and other remuneration, distributed

	2011		2010	
Salaries and other remuneration:	Board, CEO	Others	Board, CEO	Others
Parent company	2,412	21,992	1,884	18,877
Subsidiaries	-	11,387	-	10,566
Total	**2,412**	**33,379**	**1,884**	**29,443**

6.3 Social security and pension costs

	2011		2010	
	Social security costs	Of which pension costs	Social security costs	Of which pension costs
Parent company	11,644	3,227	10,540	3,165
Subsidiaries	982	187	866	163
Total	**12,626**	**3,414**	**11 ,406**	**3,328**

6.4 Remuneration to senior management

	2011		2010	
	Salary	Pension	Salary	Pension
Board of Directors	980	-	700	-
CEO	1,961	608	1,690	560
Other senior management	3,959	648	4,510	661
Total	**6,900**	**1,256**	**6,900**	**1,221**

6.4 Remuneration to senior management, *continued*

In accordance with a resolution of the Annual General Meeting, remuneration is payable to the Board of Directors of SEK 980 thousand (700), of which SEK 300 thousand (200) to the Chairman of the Board and SEK 100 thousand (100) to each of the other board members. The board members who serve on the Board Committees receive a further SEK 20 thousand. The Chairman of the Board receives no extra remuneration. This amount has not yet been paid. The Board of Directors has consisted of seven members (6) since the Annual General Meeting in 2011.

The President/Chief Executive Officer's period of notice is twelve months for termination by the company and six months for termination by the President/Chief Executive Officer. For termination by the company, or by the President/Chief Executive Officer for material breach of contract by the company, the President/Chief Executive Officer is entitled to severance pay equivalent to twelve months' salary. No further severance pay is payable.

There is an incentive program for senior management consisting of a long-term share-price related program and an annual individual program. The outcome is maximized as 33 % of the President/CEO's fixed salary and 25 % for other members of senior management in accordance with a resolution of the 2010 Annual General Meeting. During the year no reservations have been made concerning the share-price related program from 2010 for senior management, as this has not reached the lowest level for payment. For the 2011 share-price related program, SEK 248 thousand has been reserved for the Executive Group Management. See also the description in the corporate governance report.

Of the total remuneration a bonus was paid of SEK 171 thousand to the CEO and a total of SEK 237 thousand to other senior management.

During the year other senior management has consisted of six persons. As of December 31 other senior management consist of five persons.

The Compensation Committee prepares questions of remuneration and other conditions of employment for the company management. Decisions are taken by the Board of Directors.

Note 7 Audit fees

	2011		2010	
Fees to the company's auditors, Deloitte AB	**Group**	**Parent company**	**Group**	**Parent company**
Audit	116	116	150	150
Addition to the audit engagement	75	75	71	71
Tax advisory	-	-	25	25
Other engagements	79	79	118	118
Total	**270**	**270**	**364**	**364**

Note 8 Rental contracts and leases

	2011		2010	
Contracted future rental and lease charges	**Group**	**Parent company**	**Group**	**Parent company**
– Within one year	3,546	3,380	3,022	2,925
– Later than one but within five years	3,745	3,745	5,830	5,830
– Later than within five years	-	-	-	-
Total	**7,291**	**7,125**	**8,852**	**8,755**

Rental and lease payments for all rental contracts and leases during the year amounted to SEK 3,517 thousand (3,633).

The parent company's rental and lease payments for the year were SEK 2,745 thousand (3,044).

Leased assets that CellaVision has under finance leases are included in the "Equipment" item (note 13) in the following amounts:

Note 8 Rental contracts and leases, *continued*

	2011	2010
Cost of acquisition:	1,567	1,567
Depreciation/amortisation:	- 1,043	-729
Net value	**524**	**838**
Gross liabilities referring to finance leases:		
Minimum lease payments, maturity date:		
– Within one year	356	356
– Between one and five years	168	482
Net value	**524**	**838**
Future financial expenses	- 17	-69
Present value of liabilities referring to finance leases	**507**	**769**
Maturity date:		
– Within one year	313	346
– Between one and five years	194	423
Net value	**507**	**769**

Note 9 Depreciation distribution

9.1 Group

	2011		2010	
	Intangible asset	Tangible asset	Intangible asset	Tangible asset
Cost of goods sold	-5,478	-	-5,307	-
Selling expenses	-	-343	-	-168
Administrative expenses	-	-202	-	-251
Research and development expenses	-	-405	-	-419
Total	**- 5,478**	**-950**	**-5,307**	**-838**

9.2 Parent company

	2011		2010	
	Intangible asset	Tangible asset	Intangible asset	Tangible asset
Cost of goods sold	-5,478	-	-5,307	-
Selling expenses	-	-280	-	-123
Administrative expenses	-	-202	-	-251
Research and development expenses	-	-405	-	-419
Total	**- 5,478**	**-887**	**-5,307**	**-793**

Note 10 Financial Items

10.1 Interest income and other similar profit/loss items

	2011		2010	
	Group	Parent company	Group	Parent company
Interest income	171	161	1	1
Exchange differences, Group loan	942	942	-	-
Total	**1,113**	**1,103**	**1**	**1**

10.2 Interest expenses and other similar profit/loss items

	2011		2010	
	Group	Parent company	Group	Parent company
Interest expenses	399	360	2,708	2,707
Exchange differences, Group loan	-	-	517	419
Total	**399**	**360**	**3,225**	**3,126**

Note 11 Taxes

	2011		2010	
	Group	Parent company	Group	Parent company
Tax on profit for the year				
Current tax	-	-	-	-
Deferred tax income	-	-	27,625	27,723
Deferred tax expenses	-3,881	-4,224	-	-
Total tax on profit for the year	**-3,881**	**-4,224**	**27,625**	**27,723**
Deferred tax				
Utilization of tax losses	-4,224	-4,224	-	-
Revaluation of tax losses	-	-	27,723	27,723
Temporary differences	343	-	-98	-
Total deferred tax	**-3,881**	**-4,224**	**27,625**	**27,723**
Deferred tax asset				
Deferred tax asset, loss carry-forwards	48,500	48,500	52,723	52,723
Temporary differences	804	-	461	-
Total carrying amount for deferred Tax asset	**49,304**	**48,500**	**53,184**	**52,723**
Unrecognised deferred tax assets	2,062	0	3,738	0
Loss carry-forwards	192,252	184,121	214,681	200,469

All companies in the Group have accumulated loss carry-forwards. In Sweden these are not subject to any time limit and can therefore reduce taxes on future profits. In the U.S the time limit is 20 years. In Canada and Japan it is 7 years.

At year-end the Parent company capitalised all of the loss carry-forwards as a non-current financial asset. Non of the loss carry-forwards in the subsidaries have been reported.

In Canada the deficit amounts to 93 KCAD and can be utilized at the latest of 2015. Corresponding to the U.S is 855 KUSD which will mature in 2028-2029. In Japan the taxable deficit amounts to 14 MJPY which can be utilized at the latest of 2018.

Deferred tax assets referring to loss carry-forwards or other future tax-related deductions are only reported to the extent that it is probable that the tax deduction can be applied in the foreseeable future.

Note 11 Taxes, *continued*

	2011		2010	
Reconciliation, taxation	**Group**	**Parent company**	**Group**	**Parent company**
Accounting profit/loss before tax	18,514	13,809	10,724	14,438
Tax at current tax rate	-4,869	-3,632	-2,820	-3,797
Tax effect of:		-		
Non taxable income	76	76		-
Non-deductible expenses	-37	-668	-184	-184
Tax losses where deferred tax asset is not reported	949	0	2,907	3,981
Revaluation of tax losses	0	0	27,723	27,723
Tax on profit for the year	**-3,881**	**-4,224**	**27,625**	**27,723**

Note 12 Intangible assets

	2011		2010	
	Group	**Parent company**	**Group**	**Parent company**
Opening cost of acquisition	49,922	49,922	45,350	45,350
Year's acquisitions	4,538	4,538	4,572	4,572
Closing accumulated cost of acquisition	**54,460**	**54,460**	**49,922**	**49,922**
Opening depreciation	-27,653	-27,653	-22,346	-22,346
Depreciation for the year	-5,478	-5,478	-5,307	-5,307
Closing accumulated depreciation	**-33,131**	**-33,131**	**-27,653**	**-27,653**
Closing carrying amount	**21,329**	**21,329**	**22,269**	**22,269**

Expenditure on research and development was SEK 25,945 thousand (21,908), which is 17 % (17) of net sales. Of this expenditure SEK 4,538 thousand (4,572) has been capitalised and the remaining SEK 21,407 thousand (17,336) has been charged to the result of the year.

The year's development work refers mainly to development of new software applications.

Information on impairment testing
If there is an indication that carrying amounts exceed the recoverable amount the difference is charged to the result for the year as it arises. The recoverable amount for capitalised development expenditure is determined on the basis of estimated economic life and volume. This calculation is based on estimated future cash flows using financial forecasts approved by the management and covering product life cycles.

The company management has set budgeted gross margins based on its expectations of market developments. The weighted average rate of growth used is in line with forecasts in industry reports. With the above in regard to consider, the management concludes that no impairment exists at December 31.

Notes

Note 13 Tangible Asset

	2011		2010	
	Group	Parent company	Group	Parent company
Opening cost of acquisition	11,960	11,418	11,801	11,278
Year's acquisitions	1,391	1,181	159	140
Disposals/retirements	-18	-18	-	-
Closing accumulated cost of acquisition	**13,333**	**12,581**	**11,960**	**11,418**
Opening depreciation	-10,273	-9,957	-9,435	-9,164
Depreciation for the year	-950	-887	-838	-793
Reversal of acc. depreciation on Disposals/retirements	-	-	-	-
Closing accumulated depreciation	**-11,223**	**-10,844**	**-10,273**	**-9,957**
Translation difference	**-95**	**-**	**-95**	**-**
Closing carrying amount	**2,015**	**1,737**	**1,592**	**1,461**

Note 14 Non-current financial assets

Group	2011	2010
Opening cost of acquisition	133	79
Office rent, deposit	-	54
Recycled deposit	-25	-
Translation differences for the year	6	-
Closing carrying amount	**114**	**133**

Note 15 Shares and participations in subsidiaries

Parent company	2011	2010
Opening book value	704	704
Additional paid-in capital	11,548	0
Acquisitions	0	0
Write-downs	-2,400	0
Closing carrying amount	**9,852**	**704**

Shares owned by the parent company, 2011

Company	Corporate identity number	Registered office	Number of participations	Share of equity (%)	Book value
CellaVision International AB	556573-4299	Lund, Sweden	1,000	100	100 KSEK
Cellavision Inc., Canada	1724445	Toronto, Canada	1,000	100	6 KSEK
Cellavision Inc., USA	06-1624895	Delaware, USA	10	100	1 KR
Cellavision Japan K.K.	0104-01-074862	Yokohoma, Japan	200	100	9,746 KSEK

Note 16 Trade receivables

As at 31 December 2011 trade receivables of SEK 6,979 thousand (6,594) were due for payment in the Group, but no impairment loss was identified. These trade receivables are from customers who have not previously had any payment difficulties. The age analysis for the Group relating to these trade receivables is shown below.

Trade receivables overdue but not written down:

	2011	2010
1–30 days overdue	5,543	6,412
31–60 days overdue	893	-
61–90 days overdue	48	91
91–120 days overdue	287	17
More than 121 days overdue	208	74
Total	**6,979**	**6,594**

As at 31 December 2011 the Group reports a loss referring to provision for anticipated bad debt losses of SEK 0 thousand (0). The provision for doubtful trade receivables was SEK 0 thousand (0) as at 31 December 2011.

There are no pledges as collateral for receivables.

The Group uses invoice factoring. The borrowing level can be a maximum of 80 % per customer. As at 31 December 2011 the borrowing level is 59 % (63).

Note 17 Prepaid expenses and accrued income

	2011		2010	
	Group	Parent company	Group	Parent company
Office rent	802	802	612	612
Pension premiums	144	144	145	145
Insurance premiums	505	505	96	96
Market activity costs	338	-	249	-
Other	551	284	70	69
Total	**2,340**	**1,735**	**1,172**	**922**

Note 18 Share capital

The registered share capital in the parent company was distributed, as at 31 December 2011, among 23,851,547 shares with a quotient value of SEK 0.15 (0.15) each. The number of shares in issue is unchanged compared with the same period in the previous year. Each share entitles the holder to one vote and each person entitled to vote at a general meeting of shareholders may vote for the full number of shares owned and represented by her or him without limit to the voting right. All shares confer an equal right to share in the company's assets and profits. No shares are held by the company itself.

Note 19 Liabilities to credit institutions

	2011		2010	
Current liabilities	Group	Parent company	Group	Parent company
Nordea Bank AB	586	586	915	915
Nordea Finans Sverige AB	15,133	15,133	19,920	19,920
Total	**15,719**	**15,719**	**20,835**	**20,835**

The liability to Nordea Bank AB refers to leasing. The liability to Nordea Finans Sverige AB (publ) refers to invoice factoring. The company pledges 80 % of the value of external customer invoices at the time of invoicing. The limit for invoice factoring was SEK 25 million as at 31 December 2011.

Notes

Note 20 Provisions

	2011		2010	
Provisions for warranty	**Group**	**Parent company**	**Group**	**Parent company**
Opening amount	2,256	2,256	1,740	1,740
Allocated during year	1,968	1,968	2,256	2,256
Reversed provisions	-1,388	-1,388	-963	-963
Utilised	- 868	-868	-777	-777
Total	**1,968**	**1,968**	**2,256**	**2,256**
Provisions fall due for payment				
– Within one year	1,968	1,968	2,256	2,256
– Later than one but within five years	-	-	-	-
Total	**1,968**	**1,968**	**2,256**	**2,256**

Note 21 Accrued expenses and deferred income

	2011		2010	
	Group	**Parent company**	**Group**	**Parent company**
Holiday liability	4,015	3,623	3,604	3,238
Board fee	980	980	700	700
Social security contributions	1,446	1,446	1,225	1,017
Staff costs	2,301	836	1,188	802
Incentiveprogrammed	1,218	1,218	-	-
Customer obligations	846	846	1,625	1,625
Prepaid customer licencies	2,555	-	1,467	-
Other	1,867	1,365	1,182	1,235
Total	**15,228**	**10,314**	**10,991**	**8,617**

Note 22 Pledged assets and contingent liabilities

	2011		2010	
Current liabilities	**Group**	**Parent company**	**Group**	**Parent company**
Pledged trade receivables	15,132	15,132	19,920	19,920
Floating charge	7,500	7,500	7,500	7,500
Total	**22,632**	**22,632**	**27,420**	**27,420**
Contingent liabilities	None	None	None	None

The floating charge applies to invoice factoring and overdraft facilities and covers all CellaVisions AB's property. The overdraft facility is for SEK 5 million and had not been utilised as at 31 December 2011.

Note 23 Non-cash items

Group	**2011**	**2010**
Depreciation	6,427	6,144
Unrealised currency gains/losses, Group loan	-942	2,707
Change in accruals and provisions	2,781	5,209
Total	**8,266**	**14,060**

Notes

Note 23 Non-cash items, *continued*

Parent company	2011	2010
Depreciation/amortisation	6,365	6,100
Write-downs, shares in subsidaries	2,400	-
Unrealised currency gains/losses		
Group loan	-942	2,707
Change in accruals and provisions	596	4,072
Total	**8,419**	**12,879**

Note 24 Disputes in the Group

There are no disputes in the Group with external parties.

Note 25 Events after the balance sheet date

In February 2012 CellaVision decided to launch a digital cell morphology system for the veterinary market in North America. The product, CellaVision® DM96 Vet, will initially be marketed to about a hundred larger veterinary laboratories in the USA and Canada, whose volume of samples and the need for an efficient analytical method are high. This gives CellaVision opportunities for further growth in the hematology segment. The product will be available in the first quarter of the year and will be sold direct by the company.

Definition of key ratios

Average number of employees. The number of employees at the end of each month, divided by twelve.

Capital employed. Balance sheet total less deferred tax liabilities and non-interest bearing liabilities.

Cash flow for the year. Profit/loss after financial items plus amortization/depreciation, less tax paid, adjusted for decrease/increase in working capital excluding cash and cash equivalents and less net investment in non-current assets and change in loans raised/repaid.

Equity-assets ratio. Equity as a percentage of the balance sheet total.

Equity per share. Equity in relation to average weighted number of shares. Splits and issues effected have been taken into account.

Equity per share after full dilution. Net earnings divided by the average weighted number of shares plus the additional number for full dilution. Splits and issues effected have been taken into account.

Interest coverage ratio. Profit/loss after financial items plus financial expenses divided by financial expenses.

Net earnings per share. Net earnings in relation to average weighted number of shares. Splits and issues effected have been taken into account.

Net earnings per share after full dilution. Net earnings divided by the average weighted number of shares plus the additional number for full dilution. Splits and issues effected have been taken into account.

Net debt/equity ratio. Net loan liability in relation to equity. (Net loan liability is calculated as loan liability minus cash at the end of the period.)

Net investments. Tangible and intangible investments adjusted for disposals.

Return on capital employed. Profit/loss after financial items, plus financial expenses as a percentage of average capital employed.

Return on equity. Net earnings in relation to average equity.

Annual general Meeting
The Annual General meeting will be held on May 2, 2012 at 16:00 at CellaVision's premises at Ideon in Lund, Sweden. Delta 5, Scheelevägen 19A.

Proposed appropriation of profits
Styrelsen föreslår årsstämman att utdelning ska ske om 0,40 SEK per aktie för 2011.

Signing of the annual accounts
The annual accounts and consolidated accounts were approved by the Board of Directors on March 23, 2012. The consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be submitted for adoption by the Annual General Meeting on May 2, 2012.

The Board of Directors and CEO hereby certify that the annual accounts have been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board recommendation, RFR 2 and give a true and fair view of the company's financial position and performance and that the administration report gives a fair review of the development of the company's business, financial position and performance and describes material risks and uncertainties to which the company is exposed.

The Board of Directors and CEO hereby certify that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, Annual Accounts Act and RFR 1, and give a true and fair view of the Group's financial position and performance and that the administration report for the Group gives a fair review of the development of the Group's business, financial position and performance and describes material risks and uncertainties to which the companies in the Group are exposed.

Lund , March 23, 2012

Lars Gatenbeck
Chairman of the Board

Lars Henriksson
Member of the Board

Roger Johanson
Member of the Board

Christer Fåhraeus
Member of the Board

Sven-Åke Henningsson
Member of the Board

Torbjörn Kronander
Member of the Board

Anna Malm Bernsten
Member of the Board

Yvonne Mårtensson
President and CEO

Our audit report was submitted
March 23, 2012
Deloitte AB

Per-Arne Pettersson
Authorised Public Accountant

Auditor's report

To the annual meeting of the shareholders of CellaVision AB (publ) Corporate identity number 556500-0998

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of CellaVision AB (publ) for the financial year 2011-01-01 – 2011-12-31 except for the corporate governance report on pages 27–32 The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 22–54

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are respon¬sible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with Interna¬tional Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not include th corporate goverance report on pages 27–32. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the statement of comprehensive income and the statement of financial position for the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of CellaVision AB (publ) for the financial year 2011-01-01 – 2011-12-31. We have also made a statutory examination of the corporate governance report.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and for the corporate governance report being prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In addition we have read the corporate governance report and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

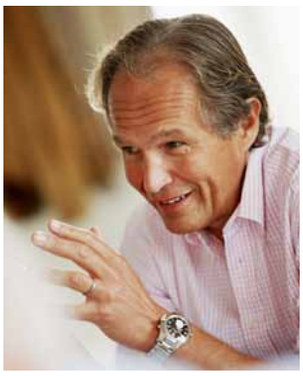
Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.
A corporate governance report has been prepared, and its statutory content is consistent with the other parts of the annual accounts and the consolidated accounts.

Malmö, March 23, 2012
Deloitte AB

Per-Arne Pettersson

Board of Directors and Auditors



LARS GATENBECK

Elected 2000. Chairman since 2002. Year of birth: 1956.

Other directorships
Chairman of Life Equity Group AB. Former positions include Director of Karolinska University Hospital and management positions within the pharmaceutical and biotechnology industry. Chairman of the Board of Life Equity Group Holding AB, Swecare AB, Stiftelsen Swecare and Life Medical Sweden AB. Member of the Board of Aleris Holding AB, Cancerföreningen and Stiftelsen Silviahemmet. Principal in Gustav V:s Jubileumsfond.
Education: M D., Ph.D.
CellaVision shares: 7,438.

CHRISTER FÅHRAEUS

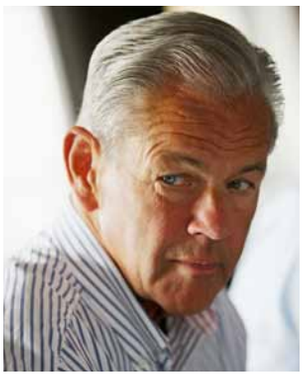
Founder of CellaVision. Member of the board since 1994.
Year of birth: 1965.

Other directorships
CEO of EQL Pharma AB. Former positions include CEO of Anoto Group AB and Agellis Group AB. Founder of Anoto Group AB, Precise Biometrics AB and Agellis Group AB among others. Chairman of the Board of Agellis Group AB, Respiratorius AB and Flatfrog Laboratories AB. Member of the Board of EQL Pharma AB, Lunds universitets innovationssystem AB, Monkfish Instruments AB, Fårö Capital AB and Karo Bio AB.
Education: M Sc. Bioengineering, B Sc Mathematics, Ph D (hc) Lund University.
CellaVision shares: 2,400,000 (incl. companies).

LARS HENRIKSSON

Elected 2011.
Year of birth: 1961.

Other directorships
Investment manager and business analyst at Industrifonden in the Life Science business area. Former positions include CFO in telecoms and traditional industry on an international basis. Member of the Board of Diashunt Intressenter AB and serves as alternate in several cases under mandate from Industrifonden.
Education: M.Sc. Industrial Engineering and Management.
CellaVision shares: 0.



SVEN-ÅKE HENNINGSSON

Elected 2006.
Year of birth: 1940.

Other directorships
Former positions include President of Kanthal-Höganäs, AB Wilh. Becker and Lindéngruppen AB. Chairman of the Board of ACAP invest AB and Rittal Scandinavian AB. Member of the Board of Gant Company AB, Gant Home AB and DIAB International AB.
Education: B.Sc. Economics and Business Administration.
CellaVision shares: 70,000.

ROGER JOHANSON

Elected 2011.
Year of birth: 1959.

Other directorships
Head of Venture Capital & Direct Investments at Skandia Liv. Former positions include CEO and President at Medicarb AB and management positions at Boehringer Mannheim Scandinavica AB, DAKO A/S and Becton Dickinson AB.
Education: M.Sc. Chemical Engineering.
CellaVision shares: 3,000.

TORBJÖRN KRONANDER

Elected 2007.
Year of birth: 1957.

Other directorships
President of Sectra Imtec AB and Vice President of Sectra AB. Founder of Sectras' medical division and co-founder of the research center, CMIV(Center for Medical Image science and Visualization) in Linköping. Chairman of the Board of Sectra Sverige AB and Sectra Mamea AB. Member of the Board of CMIV, Milly Medical AB, Ancylus OÜ and Shannon AB.
Education: Doctor of Technology, MBA.
CellaVision shares: 278,000.

ANNA MALM BERNSTEN

Elected 2010.
Year of birth: 1961.

Other directorships
CEO of Bernsten Konsult AB. Former positions include CEO and President of Carmeda AB and management positions at Pharmacia & Upjohn and GE Healthcare Life Sciences.
Chairman of the Board of Scientific Solutions AB. Member of the Board of AB Fagerhult, Medivir AB, Artimplant AB, Nolato AB, Birdstep ASA and Matrisen AB.
Education: M.Sc. Chemical Engineering.
CellaVision shares: 0.

Revisor

PER-ARNE PETTERSSON

Authorised Public Accountant, Deloitte AB.
Auditor of CellaVision since 2000.

Management

YVONNE MÅRTENSSON

President and CEO.
Employed in 1998.
Year of birth: 1953.

Previous experience
Has more than 25 years experience of international marketing and sales in fast-growing companies in various phases, and more than 20 years experiences from the medtech industry.

Other directorships
Member of the Board of Aerocrine AB, Biolin Scientific Holding AB and Lunds universitets innovationssystem AB.
Education: M.Sc. Industrial Engineering and Management.
CellaVision shares: 105,000 (incl. companies).

JOHAN WENNERHOLM

CFO.
Employed in 2007.
Year of birth: 1968.

Previous experience
Has many years experience of growing technology companies and relations with the capital market. Former positions include Nextlink AB and the Doro Group.
Education: B.Sc. Economics and Business Administration.
CellaVision shares: 40,000 (incl. companies).

STEFAN BENGTSSON

Chief Operating Officer (COO).
Employed in 2011.
Year of birth: 1958.

Previous experience
Has more than 20 years experience of growth companies in the medtech industry. His most recent position was CEO of Presona AB. Former leading positions in Gambro, Getinge and Pharmacia.
Education: M.Sc. Mechanical Engineering.
CellaVision shares: 6,000.

PETER WILSON

Marketing Manager.
Employed in 2000.
Year of birth: 1967.

Previous experience
Many years experience of global launching of new technologies and new products. Former positions include Foss, among others.
Education: M.Sc. Chemical engineering.
CellaVision shares: 6,000.

HANS-INGE BENGTSSON

QA Manager.
Employed in 2001.
Year of birth: 1958.

Previous experience
Has many years experience of regulatory work, R&D, clinical laboratory and pharma. Former positions include PolyPeptide Laboratories and Hemocue.
Education: M.Sc. Chemical engineering.
CellaVision shares: 2,000.

Glossary

Algorithm A systematic procedure in mathematics and data processing consisting of a finite number of steps that specify how a calculation is performed or a given problem is solved.

Anemia A blood deficiency in which there is an abnormally low content of hemoglobin, the oxygentransporting substance in blood that is found in red blood cells.

Artificial intelligence/ Artificial neural network
A mathematical theory that simulates the brain's method of learning.

Bone marrow All different types of blood cells are developed in the bone marrow.

Cerebrospinal fluid A transparent fluid that surrounds the brain and the spinal cord.

Cell counter Blood samples are first analysed in an instrument that counts the number of cells. These instruments are found in all medium- sized and large hematology laboratories. The cell counter analyses either three or five normal white blood cell classes, makes an analysis of the red blood cells and parameters such as hemoglobin and (hematocrit) erythrocyte volume fraction. Samples showing any type of abnormality are sent on for further examination in CellaVision's instruments, where the blood is smeared and stained on a microscope slide. Without access to CellaVision's instrument, the sample is examined manually in a microscope.

Cryptococcus is a fungus disease which mainly causes infection of the central nervous system. The disease is rare in people with normal immune system. The most serious infections usually develop in patients with defective cell-mediated immunity, for example patients with AIDS.

Cytology The study and investigation of cells. Examination mainly of liquid-based samples, such as from spinal fluid, lung fluid and synovial fluid, for the purpose of finding bacteria, cancer cells and blood cells. Perhaps the most frequent cytology test is a Pap smear test from the cervix, which is used to detect malignant or premalignant cell changes.

Food and Drug Administration (FDA)The US regulatory authority.

Hematology The study of blood and its composition, function and diseases. This includes blood and bone marrow tests. Important information can be obtained about diseases of the blood and bone marrow, such as allergies, infections, leukemias and other diseases of the blood. Hematology laboratories often also perform analyses of other body fluids.

In vitro diagnostics refers to a wide range of medical laboratory tests analyzed outside the body.

Clinical chemistry The medical discipline responsible for developing, refining and providing medical services with chemical analyses, blood analyses, immunological analyses and other methods.

Leukemia is a type of cancer of the blood or bone marrow characterized by an abnormal increase of immature white blood cells called "blasts". Leukemia is a broad term covering a spectrum of diseases.

Lymphocytes A white blood cell that plays a large role in defending the body against disease. There are two main types of lymphocytes: B cells and T cells. The B cells make antibodies that attack bacteria and toxins while the T cells attack body cells themselves when they have been taken over by viruses or have become cancerous.

Lymphoma is a cancer of the lymphocytes, a type of cell that forms part of the immune system.

Mantle cell lymphoma is an uncommon type of non-Hodgkin's lymphoma (NHL) that mostly affects older men. Malignant tumors which are based on group B lymphocytes normally present in the lymph node.

Hematology testing process

1. Sample taken.

2. Analysis by cell counter.

3. Smear onto slide, often performed by automated slide maker strainers.

4. CellaVision's analyzer collects and pre-classifies the white blood cells into 17 classes while also making an assessment of the red blood cells.


Monocyte is a type of white blood cell, part of the human body's immune system. Monocytes help other white blood cells remove dead or damaged tissues. Can take in (ingest) foreign material, for example bacteria.

Morphology The study of the structural characteristics of the body and its organs, tissues and cells.

Neural networks A mathematical theory that simulates the brain's method of learning.

Pathology The study of the causes and development of diseases, particularly with respect to changesin the morphology of cells, tissues and organs. Microscopic studies of tissue sections and biopsies, which can be paraffin-embedded or frozen. Examples of pathology analyses are biopsies of suspected breast cancer tissue.

Reagent is a substance or compound that is added to a system in order to bring about a chemical reaction. It is added for example when counting cells in cell counters to dilute and prepare blood cells.

Red blood cells erythrocytes, carry oxygen to the cells, and carbon dioxide from them into the lungs. Normally constitutes the largest number of cells in the blood.

Smear Thin layer of a test specimen/test medium (blood, bone marrow, urine sediment, etc.) that has been smeared and dyed on a glass slide for microscopic examination.

White blood cells leukocytes, are cells of the immune system involved in defending the body against infectious disease. In a healthy person, there are normally five types of white blood cells: neutrophils, eosinophils, basophils, monocytes and lymphocytes.

Sources:
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www.cancerfonden.se
www.ganima.info
www.NetDoktor.se
www.wikipedia.se
www.1177.se/Tema/Kroppen/Immunforsvaret/Blodet-och-immunforsvaret/
www.smittskyddsinstitutet.se
Birgitta Swolin, Associate Professor at the Clinical Chemistry Laboratory at the Sahlgrenska University Hospital, Gothenburg, Sweden

5 Cell images and results are collected in a database.

6 A Medtech does the final assessment on a computer screen. Signed off results are automatically sent to the laboratory information system (LIS).

7 Cell images and the result of the analysis can be viewed remotely by other units in the same hospital network.

8 The doctor in charge interprets the patient's collected test results and makes a diagnosis.

Our CellAtlas App is available for both iPhone and Android smartphones. Since being introduced it has been downloaded more than 25,000 times by users who wish to learn more about cell morphology and test their skills.

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